

Committees Split Along Party Lines On Harm to Reagan

The Associated Press

WASHINGTON — Democrats and Republicans on the congressional committees investigating the Iran-contra affair disagreed Sunday on whether the revelations from the hearings have damaged Ronald Reagan's presidency.

"I think the president is strong," Representative Dick Cheney, Republican of Wyoming, said on a television interview program. "He should be able to recover from this and go on to an effective 18 months," the remainder of his term in office.

However, Senator George J. Mitchell, Democrat of Maine, said Mr. Reagan had been harmed by the hearings.

"I disagree that he hasn't been seriously damaged," Mr. Mitchell said. "I think he has been seriously impaired as a result of the elections of last November and now" the hearings. Democrats won control of both the House of Representatives and the Senate in the November vote.

Their comments followed testimony last week by Lieutenant Colonel Oliver L. North and Rear Ad-

miral John M. Poindexter, two of the key figures in the secret sale of U.S. arms to Iran and diversion of profits to the Nicaraguan rebels known as contras.

Admiral Poindexter, Mr. Reagan's former national security adviser, told the congressional committee that he had allowed the diversion and related activities to go ahead without informing Mr. Reagan.

That testimony was criticized last week by some Democratic legislators as not credible and self-serving.

However, Senator Orrin G. Hatch, Republican of Utah, said Sunday: "I think it's helped the president. I think the polls will show that the majority of the American people actually believe he has benefited from these hearings."

Senator Warren B. Rudman, Republican of New Hampshire, said the question of what Mr. Reagan knew was no longer a primary issue before the joint House and Senate panels.

"I think it's over" as far as the Reagan question is concerned, Mr. Rudman said. "I find Poindexter astonishing and yet I believe him because I think he did not realize the enormity of what he was doing."

Mr. Hatch, a leading Reagan defender, agreed. "The evidence shows that the president did not know of the diversion and that takes some of the air out of the balloon."

Admiral Poindexter will be questioned for a fourth day when the hearings resume Monday.

Mr. Cheney, vice chairman of the House select committee, said, "I think frankly the notion of criminal prosecution of North or Poindexter is absurd."

Representative Thomas S. Foley, Democrat of Washington, the House Democratic leader, said he also accepted Admiral Poindexter's testimony that he did not tell Mr. Reagan of the diversion of funds.

Admiral Poindexter, Page 4

Kiosk

Iran Dismisses UN Resolution

NICOSIA (AP) — Iran said Sunday that it would reject a United Nations resolution aimed at ending the war with Iraq if the proposal were approved, calling it an excuse for U.S. military intervention.

The Iranian foreign minister, Ali Akbar Velayati, said on Tehran Radio, monitored in Nicosia, that his nation would not abide by the UN resolution. He called it defective because it did not punish Iraq as the aggressor. Diplomats at the UN predicted the resolution would be passed unanimously on Monday. Few details of the resolution have been divulged. Iraq invaded Iran in 1980.



Nick Faldo won the British Open golf championship Sunday. Page 17.

GENERAL NEWS

A look at how the U.S. plan for escorts in the Gulf will work. Page 2.

A general's warning in Seoul hints that the military may be getting restive. Page 2.

Illegal exports could help Pakistan make nuclear arms, a U.S. indictment said. Page 3.

BUSINESS/FINANCE

U.S. and EC officials clashed over President Reagan's plan to end farm subsidies. Page 11.

Penazool is said seek \$4.1 billion to settle its case against Texaco. Page 11.

Tamils Flock to Europe, Cavaco Silva Projected to Win Majority

*By Barry James
International Herald Tribune*

PARIS — Tamils fleeing violence and persecution in Sri Lanka, or perhaps just seeking a better life in the West, have become Western Europe's largest single group of immigrants in recent years.

At least 60,000 have arrived in the past five years, according to the Refugees Documentation Center in Paris.

But few have been accepted as legitimate refugees: Some stay on illegally after failing to get asylum, risking deportation or, in some countries, imprisonment.

Most of the refugees are trapped in an administrative limbo. They are not likely to get the papers they need to settle permanently or get decent jobs and social security benefits, so they are forced into an underground economy.

But they continue to stay, saying their lives would be in danger if they went home.

"We are here, but not liking it," said Uthayakumar Sithivathai, of the Tamil Coordinating Committee in France, which operates from a shabby storefront headquarters in Paris.

He added: "We'll not go back until the Tamils are established in their own state. Until then, we will stay."

The flow of Tamils has been stemmed by tougher immigration restrictions in Europe.

Britain has begun levying heavy fines against airlines that bring in

illegal immigrants. France has introduced visa requirements and clamped down on undocumented foreigners, and West Germany has closed a loophole that enabled thousands of Tamils to slip in via East Berlin. In Switzerland, voters in April approved tighter asylum laws by a 3-1 margin.

European governments have tended to reject or delay action on the Tamils' requests for asylum on the ground that they do not meet the criteria set by the United Nations for official refugee status.

These said that a person seeking asylum must be in direct personal danger of death, imprisonment or persecution for ethnic, social, political or religious reasons.

Despite the pervasive violence and civil conflict in Sri Lanka, European governments argue that they cannot be sure the Tamils would be in personal danger if they returned home. The Sri Lankan government says they can return, but at the same time is threatening to invade Jaffna, the Tamil capital, to battle secessionist Tamil guerrillas.

Mr. Sithivathai said it was impossible for most Tamils to prove they had been persecuted. "The army won't give you a letter," he said. "It won't issue a certificate saying it tortured you."

Nearly three-quarters of Sri Lanka's 16 million population is Sinhalese and predominantly Buddhist. Most of the three million

See TAMILS, Page 4

illegal immigrants, France has introduced visa requirements and clamped down on undocumented foreigners, and West Germany has closed a loophole that enabled thousands of Tamils to slip in via East Berlin. In Switzerland, voters in April approved tighter asylum laws by a 3-1 margin.

Political analysts credited the projected victory of Mr. Cavaco Silva, 48, and the center-right Social Democrats to an important upswing in Portugal's economy since the country joined the European Community on Jan. 1, 1986.

Under Mr. Cavaco Silva, an economist, the country reported an annual economic growth rate of 4 to 4.5 percent, the highest in Western Europe, though Portugal remains the poorest of the 12 EC states. Even Social Democratic leaders conceded this was primarily due not to government policies but to important EC development subsidies, cheaper oil prices and a falling dollar.

The Social Democrats, in an alliance with a tiny rightist party, formed a minority government in November 1985. That government was brought down in April through a no-confidence motion.

During the national election campaign earlier this month, the Hawke government pledged to expand aid for both English and foreign language programs as part of its support for "a culturally diverse but socially cohesive" nation.

Official recognition of Australia

See AUSTRALIA, Page 4

runs the Imam Khomeini Hospital in the central Lebanese town of Baalbek. "Medical care here should be the responsibility of the Lebanese state, the Red Cross and Red Crescent. But when we found the people here unattended and abandoned we decided to do something about it."

The Imam Khomeini Hospital is staffed by six Lebanese and two Iranian doctors, 60 nurses and two midwives. Across the street, colorful murals and Iranian flags flutter above an archway leading to the Khawwan Hotel and a headquarters for Iranian Revolutionary Guards, or Pasdaran Enghehab.

An estimated 500 Revolutionary Guards

have been based in central and southern Lebanon since Israel invaded Lebanon in 1982.

Their activities include recruitment, military training and mobilization efforts that, among other objectives, help further the aims of Iran's 1978-79 Islamic revolution.

They are believed to be linked directly to the Iranian diplomatic mission in Damascus and Ambassador Mohammed Hassan Akhbari. The Pasdaran operate two military bases near Baalbek and reportedly have assisted in preparing

suicide missions against Israeli soldiers and their allies in southern Lebanon.

While Syria originally welcomed and assisted in the deployment of the Revolutionary Guards to support local resistance movements against Israel, recent tensions between Tehran and Damascus have prompted Syria to put tight restrictions on the Pasdaran's activities.

Shiite security officials in Beirut said Iran

was spending almost \$5 million a month in Lebanon. The money is used not only to finance the Islamic Resistance Movement in southern Lebanon or the Party of God, but also to support underprivileged citizens and families of "martyred" militiamen.

In the absence of functioning government institutions outside its major population centers, Lebanon is witnessing the creation of yet another ministate.

Sheikh Shawki Kanaan, one of the administrators of the Martyr Foundation in Baalbek, said 2 million Lebanese pounds (about \$13,900)

See LEBANON, Page 4



Landslides and Flooding Kill at Least 14 Near Northern Italian Lakes

The village of Tartano near the town of Sondrio, near Lake Como in northern Italy, lies in ruins after a landslide that hit a hotel and an apartment building, killing 10 persons and leaving two others missing. At least four other persons are known to

have died in floods and mudslides elsewhere in northern Italy. A state broadcasting network said dozens of villages and towns had been isolated by four days of heavy rains, which blocked or swept away hundreds of roads, bridges and railroad lines.

U.S. Gulf Plan: How Escorts Will Work

*By John H. Cushman Jr.
New York Times Service*

WASHINGTON — When the first Kuwait tankers to fly the American flag pass through the Strait of Hormuz, probably in the next several days, they will be escorted by U.S. warships assigned to see them safely past an avowedly hostile Iran.

Naval experts and government officials familiar with the planned operation say the Gulf region is tailor-made to escort ships through relatively crowded, constricted waters where dangers are as many and varied as fish around a reef.

Four U.S. frigates, three cruisers and a destroyer are operating in the Gulf and around the strait, where Iran has many air and naval bases and sites prepared for anti-ship missiles.

The projected military plan for the task force is secret, which follows is an approximate description of how the operation would work,

based on an analysis of the forces in place, their assigned tasks, the rules of combat under which they operate, their weapons and communications capabilities, and their standard operating procedures.

The outline is based on public documents and testimony, interviews with officials involved in the Gulf operation or familiar with its planning and a first-hand look at equipment aboard a Perry-class frigate, off Florida.

The Gulf military plan is about 80 pages long and has been circulated to top military officials. It is ready to be carried out upon command, at which time it becomes known as an operational order.

The warships, which have had three rehearsals since reinforcements arrived in the Gulf early this month, were chosen for a precise mix of weapons, electronic sensors and communications equipment. With that in mind, they will operate on the principle that a coordinated military force is far more powerful than the sum of its parts.

Also, A-6 and FA-18 attack aircraft, EA-6B electronic jamming aircraft, E-3C airborne radar command posts and F-14 fighter planes will fly nearby from the deck of the Constellation as the ships move within range of the Silkworm anti-ship missiles.

When the convoys move through the Gulf, they will perform an elaborate maneuver that knits into a protective network comprising the ships on the surface, the aircraft from the carrier's deck, surveillance planes flying from bases in Saudi Arabia and Oman, and other forces.

The result is designed to baffle any potential attacker — and to strike promptly at any threatening intruder.

Two oil tankers probably will link up with three warships outside the Strait of Hormuz and begin the 1,200-mile (1,900-kilometer) round trip to Kuwait under constant military escort. As the vessels move through the strait,

See GULF, Page 2



President Mário Soares of Portugal casting his vote Sunday in Lisbon.

Australia's Pro-Immigration Policy Gives Nation a Multi-Hued Character

*By Michael Richardson
International Herald Tribune*

SYDNEY — As Tong Duc Thien drove his taxi past rows of brick houses set on small plots of land in Sydney's western suburbs, he turned to a passenger and said with a grin: "I'm a fair dinkum Aussie now, mate."

The accent was Vietnamese, but the phrase was very Australian.

Mr. Thien, 38, is one of more than 100,000 refugees from Vietnam, Laos and Cambodia accepted for settlement in Australia since Communist regimes took control in the capitals of Indochina in 1975.

As Australia prepares to celebrate the 200th anniversary of the first European settlement of the continent, in January, it is clear that the influx of immigrants since the early 1970s is changing a pre-

dominantly white society into a multiracial one.

In 1947, when the postwar period of mass immigration began, Australia's population was 7.6 million. More than 90 percent were born in Australia and nearly all were of Anglo-Celtic heritage. Seven percent had immigrated from Britain and Ireland, and under 1 percent from Asia, Africa and the United States.

Today the population is just over 16 million. About 40 percent of that growth has been due to immigration, including refugees from Indochina.

A policy blocking non-European immigration, in place since 1901, was formally abandoned in 1973. Australia is now home to people from more than 120 countries.

The Labor government of Prime

Aid to Bekaa Shiites Reaps Fealty for Iran

*By Norz Boustany
Washington Post Service*

BAALBEK, Lebanon — Iranian groups have been filling a void by supplying services to the Shiite Moslem community here in Lebanon's Bekaa region, near the border with Syria.

The groups, including the Revolutionary Guards and affiliated welfare organizations such as the Martyr Foundation, provide health and social services, as well as religious, recreational, educational and military activities that build strong loyalties to Iranian-style Islamic fundamentalism.

Before Lebanon's civil war began in 1975, Baalbek was a world-renowned cultural center whose scenic Roman ruins served as the backdrop for annual international arts festivals. The town has since gained a reputation as a center for Iranian-inspired Islamic revolutionary activity.

"Lebanon is the child of Iran," an Iranian physician here, Akbar Mahaki, said in justifying the many Iranian-sponsored services offered to the local population.

"We originally came here to treat Iranian Revolutionary Guards," said Dr. Mahaki, who

runs the Imam Khomeini Hospital in the central Lebanese town of Baalbek. "Medical care here should be the responsibility of the Lebanese state, the Red Cross and Red Crescent. But when we found the people here unattended and abandoned we decided to do something about it."

The Imam Khomeini Hospital is staffed by six Lebanese and two Iranian doctors, 60 nurses and two midwives. Across the street, colorful murals and Iranian flags flutter above an archway leading to the Khawan Hotel and a headquarters for Iranian Revolutionary Guards, or Pasdaran Enghehab.

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Algeria	60 D.D.	115 Bedouins	1,000 Bed

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Moscow Will Resume Search for Life on Mars Despite Viking's Data

By Lee Dye
Los Angeles Times Service

BOULDER, Colorado — The Soviet Union has rejected the widely held belief that life does not exist on Mars and will make the search for life there a major part of its ambitious exploration of the red planet in the decade ahead.

That disclosure came during a four-hour satellite linkup Saturday between Soviet scientists in Moscow and U.S. scientists here, and clearly started some of the Americans, who believed that the U.S. Viking probes that landed on Mars more than 10 years ago had shown conclusively that no life exists on Mars by Viking.

The Soviets "accept the Viking results for what they were," added Chuck Klein, also of Ames. The Vikings "showed there is no life in two places."

The Viking probes both landed in areas chosen for their benign climate and landscape conditions to give the spaceships a better chance of landing with their delicate instruments intact. However, Soviet scientists told their American counterparts during the conference Saturday that those sites were not the most promising in terms of finding life.

Several Soviets, whose comments were not always easily understood over the satellite link, referred repeatedly to the possibility of an "oasis" existing somewhere on Mars. They did not say where such an oasis might be, but American scientists at the meeting said that they suspected the Soviets were referring to Mars' polar regions, where water is believed to be trapped below the surface in the form of ice.

Scientists believe that early in its history, Mars had rivers of water. Hail Masursky of the U.S. Geological Survey said that the Soviets know from their own experiences with the Vikings that organisms sometimes thrive below the permafrost.

Nonetheless, few American scientists attending the session in Boulder indicated they thought the Soviets would find life on Mars.

"It's an exciting possibility," said Mr. McKay, a biologist at Ames. "But it's not very real." In July and August, the convoys will leave every two weeks. That

exist there, it was now extinct. Thus U.S. scientists have leaned heavily toward finding evidence of ancient life that was snuffed out when Mars moved down an evolutionary path that was quite different than the course followed by Earth.

Although most American scientists who took part in the session said that they doubted that the Soviets would be successful, others sided with the Russians.

"This is probably going to get me banned from ever participating in this kind of program again," Carol Stoker of the Ames Research Center told her fellow scientists, "but you did not prove there is no life on Mars by Viking."

The Soviets "accept the Viking results for what they were," added Chuck Klein, also of Ames. The Vikings "showed there is no life in two places."

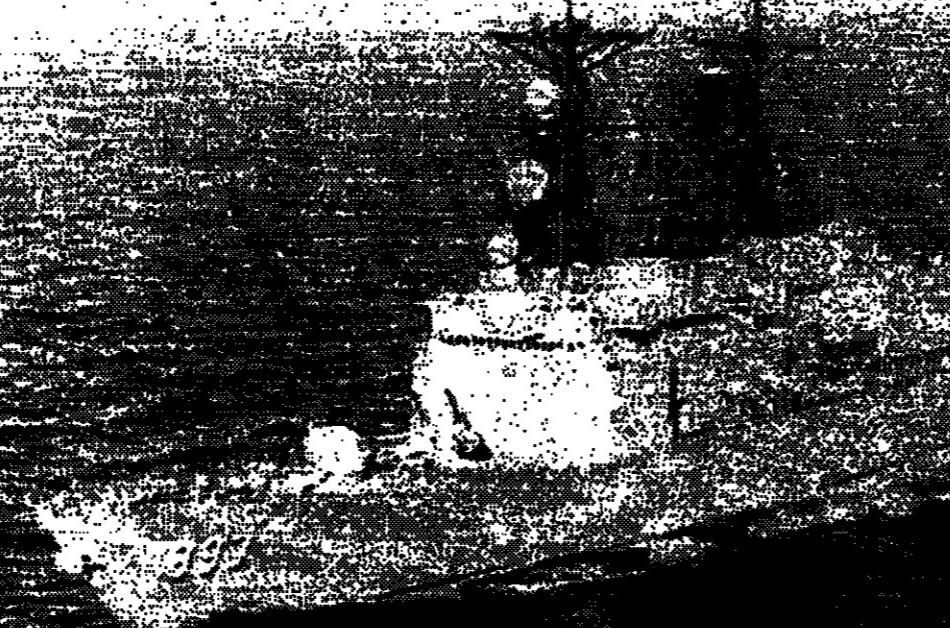
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The U.S. destroyer Kidd, which may escort Kuwaiti tankers in the Gulf, in a photograph released by the U.S. Navy.

GULF: A Look at How U.S. Plan to Escort Kuwaiti Oil Tankers Will Work

(Continued from Page 1)

cruisers will stand by to provide defense against air attack.

As the tankers move northwest to Kuwait, they might be accompanied by the destroyer Kidd and two frigates, forming a five-ship convoy that would move in close formation.

It seems likely that at least two warships will always be near the vessels in Kuwaiti waters. As the convoy heads north, it will pass U.S. ships on patrol.

The United States has concentrated its ships in the southern part of the Gulf, but they have operated recently in its northernmost reaches and can move there quickly, ahead of the convoy.

Iran has recently moved much of its air force, mostly F-4 and F-14 fighters, to bases in the south where the Silkworm sites have been prepared and where there are many Iranian vessels. This may help explain the concentration of U.S. ships there and the stationing of cruisers at the strait.

In July and August, the convoys will leave every two weeks. That

means that in the first month or two of the expanded military operation, extra escorts can be provided for each convoy.

The Pentagon has ordered that the ships be kept on high alert while accompanying the Kuwaiti tankers. At many times — for instance, while moving through the Strait of Hormuz, near known Iranian forces, or in the presence of potentially hostile ships or aircraft — the ship's crews will be called to general quarters. This means every weapon, sensor, engine and fire fighting station must be manned and all routine activity comes to a halt.

The navy expects to relieve the ships doing escort duty in the Gulf every three months to keep the crews fresh.

In the last 18 months, Iran has used several different styles of attack against merchant shipping: missiles fired from helicopters; missiles launched from aircraft; and, beginning nine months ago, rocket and gun attacks by frigates and small gunboats.

Recent attacks against merchant ships have been by small craft,

ranging from patrol boats down to speedboats.

There also is a chance that Iran might use suicidal attacks by aircraft or small craft.

It would be difficult for a suicide boat packed with explosives to draw alongside a navy ship and any blast probably would do little harm to an armored hull, experts say. But it is possible that such an attacker could come close enough to shoot a missile or torpedo.

Against such small-boat tactics, the destroyers Kidd and the cruiser Fox have an ideal weapon. It is a five-inch (128-millimeter) gun that can be used with equal potency against ships and shore installations. Its hefty shells can strike targets at more than 15 miles.

The Perry frigates have a smaller 76mm gun, more useful against low planes and small ships.

The ships also have launchers that can fire anti-aircraft missiles at targets more than 30 miles away. They also can fire Harpoon surface-to-surface missiles, capable of sinking large vessels.

In case a hostile plane or ship

gets close enough to fire a missile, or if a Silkworm missile is launched, the navy ships have several guns to use in self-defense. The most effective is the Phalanx, a Gatling gun that throws a hail of heavy ammunition made of depleted uranium into a missile's path at a rate of 3,000 rounds a minute.

But the Phalanx is not a leak-proof defense. It is augmented by metallic chaff, which is scattered in the air to present false targets; and by electronic jamming of a radar-guided missile like the Silkworm.

Navy officers point out that the frigate Stark, which was operating alone when it was attacked, took no steps to defend itself the night of May 17 when a radar-guided Exocet struck it.

Ships now warn all aircraft approaching within 50 miles and are authorized to shoot down any that continue to approach in a threatening manner.

The escort service's most difficult task is to keep unidentified or potentially hostile ships out of range of the convoys. This means, in effect, sweeping a radius of perhaps 15 miles clear of intruders.

From the bridge of a frigate, the horizon is about eight miles away. The radar, high on the superstructure, can see a far greater distance.

The most important aspect of the escort operation, naval experts say, is that while Kuwaiti tankers are under way, all the guns, missiles, aircraft, ships and sensors will be operating together. Doctrine holds that by adding forces together, their military effectiveness is multiplied. Nowhere is this more evident than in the use of sensors to detect attacks before they occur.

Every navy ship has at least one powerful surface-searching radar and another long-range air-searching radar. As convoys are escorted through the Gulf, they also will be watched by the long-range radar carried by surveillance aircraft, or AWACS, flying from Saudi Arabia. Maritime patrol aircraft known as P-3 Orions will fly over the Gulf from bases in Oman.

The navy has insured that each of the escort vessels carries a computerized data link allowing it to keep track at all times of any object detected by the radar sensors of any other escort ship or by the surveillance planes.

In effect, the captain of any ship can walk into the combat control room and, at the push of a button, display on a round video screen the position, direction and speed of any vessel or aircraft in the Gulf. The screen's diameter would show well over 1,000 miles.

Push the button again and the screen zooms in on the immediate area.

WORLD BRIEFS

Afghan Unexpectedly Visits Soviet

MOSCOW (AP) — The Afghan leader, Major General Najibullah, arrived here Sunday for an unexpected visit that foreign analysts said was probably linked to efforts by his Soviet-backed government to end the war in Afghanistan.

Tass called the trip a "brief visit," but did not say why the trip was made. The visit comes amid reports that Soviet-Afghan forces had suffered serious reverses in fighting with the guerrillas.

In Islamabad, Pakistan, meanwhile, a former Afghan Army major general said that his guerrilla group won a victory over Soviet forces in a three-day operation near Kabul earlier this month, shooting down four planes. Abdul Rahim Wardak said guerrillas had ambushed four convoys, destroyed several military posts and dozens of tanks, armored cars and trucks, temporarily cut the main Kabul-Jalalabad highway and killed 900 Soviet and Afghan soldiers.

Turkey Ends Martial Law in 4 Areas

ANKARA (AP) — Martial law was lifted after eight and a half years in four southeastern provinces Sunday, ending Turkey's longest enforcement of military rule.

In the provinces of Diyarbakir, Mardin, Sirnak and Hakkari, martial law was replaced by emergency rule, under which a civilian governor, not a military commander, assumes extraordinary powers. Emergency rule is also in effect in four other southeastern provinces and Istanbul.

The national government recently appointed a regional governor responsible for security against Kurdish insurgency in the eight provinces. Martial law was first declared in December 1978 after sectarian fighting, but in the past three years the government has become increasingly concerned about fighting Kurdish rebels.

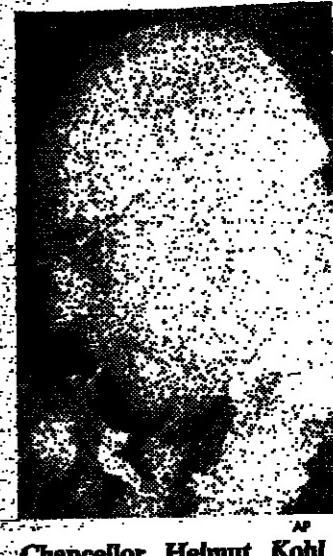
Kohl, in Nepal, Will Discuss Aid Plan

KATHMANDU, Nepal (Reuters)

— Chancellor Helmut Kohl became the first West German head of government to visit Nepal when he arrived Sunday for a two-day official visit.

Mr. Kohl was welcomed by Prime Minister Marsh Man Singh Shrestha on arrival aboard a West German Air Force plane from Kunming, China. While in Nepal, Mr. Kohl is to meet King Birendra and the prime minister to discuss further development aid and relations between industrialized and developing countries, said Friedhelm Ost, a West German spokesman.

Before leaving Kunming, Mr. Kohl had a 20-minute telephone conversation with Prime Minister Zhao Ziyang of China, the spokesman said. According to Mr. Ost, Mr. Zhao said the chancellor's one-week visit to China was successful and had brought new impetus for further German-Chinese cooperation.



Chancellor Helmut Kohl sipped a traditional Nepalese drink after he arrived in Kathmandu on Sunday.

AIDS Epidemic Hits Parts of Uganda

KAMPALA, Uganda (Reuters) — AIDS has reached epidemic proportions in some parts of Uganda, President Yoweri Museveni said during a visit to southwestern Uganda, the state radio reported Sunday. The government said that 1,136 cases of acquired immune deficiency syndrome had been reported in Uganda.

Mr. Museveni said one of the main reasons for his visit was to caution Ugandans against the disease, asking that people should change their sexual habits and limit themselves to one partner.

For the first time, a panel of doctors has acknowledged the existence of AIDS in Ethiopia. The doctors said Friday night on television that three of the five persons known to have the disease had died. Until the announcement, officials had denied the existence of the disease in Ethiopia.

Nyerere to Retire as Party Chairman

NAIROBI, Kenya (AP) — Former President Julius K. Nyerere of Tanzania, whose Socialist policies plunged his nation into bankruptcy, has confirmed he will retire as chairman of the ruling party, leaving his successor to pursue Western-prescribed economic policies.

Mr. Nyerere, 65, reaffirmed last week that he will relinquish the powerful political post he retained when he stepped down as head of state in 1985, the Chama Cha Mapinduzi party's newspaper, Uhuru, reported Saturday.

The report ended widespread speculation that Mr. Nyerere might reverse his avowed decision to retire as party chief at the next party conference in October. He has often publicly stated his opposition to some conservative reforms introduced by his successor, President Ali Hassan Mwinyi.

U.S. Pulling Troops Out of Ecuador

QUITO, Ecuador (AP) — The United States will withdraw soldiers by mid-November when they are sent to Ecuador to repair roads damaged by an earthquake, the U.S. Embassy has announced.

The U.S. announcement late Friday came barely 48 hours after the Ecuadorian Congress passed a resolution demanding that President Leon Febres Cordero seek the immediate removal of the U.S. troops from national soil. The troops, mostly reservists, have been working in the country's eastern Amazon region rebuilding bridges and roads damaged in an earthquake in March, the Pentagon has said.

Their presence has resulted in widespread public opposition to what many people in Ecuador consider a violation of national sovereignty. Some opposition leaders contend the troops are there for combat training.

TRAVEL UPDATE

Storms, Mudslides Block Swiss Routes

LUCERNE, Switzerland (UPI) — Storms, heavy rains and mudslides blocked road and railroad links in southern and eastern Switzerland during the weekend.

The Swiss police said hundreds of villages were cut off and traffic conditions were "chaotic" because many tourists heading south from northern Europe were trying to cross Switzerland.

The north-south railway line through the St. Gotthard tunnel was closed by a landslide on Saturday, but workers laid a temporary track through the Catch-22 that the better French club impose on individual players — proof of a good handicap.

Alain Pichon, a member of the defense committee, conceded that facilities since the arrival of Japanese employees. It also bypasses the club's impose on individual players — proof of a good handicap.

But he said HIO had erred in assuming that the golf market in France was as lucrative as in Japan and had attempted to raise fees so high that only Japanese competitors could afford them.

He said that the defense committee had threatened to start a media campaign to argue its case or take HIO to court.

The effect on the existing membership will only become clear over the next 12 months the current subscriptions run out, but some members at Scaincourt say they have started looking around for new clubs. And others have already left.

Some headed for a club at Chamonix-en-Vexin, about 30 miles away, to find that the manager there had put his lease up for sale.

The manager, Armand Marais, said he had had an offer from unnamed Japanese buyers for his lease but he said that the offer was not high enough.

The dedication of the Japanese to the sport is not always appreciated by the French, whose clubs also go in for such other entertainments as bridge evenings and black-tie dinners.

As one former member of Scaincourt, who has transferred to Chamonix-en-Vexin, noted: "The Japanese come early in the morning, before any of the French. Then they take no part in the life of the club. They only come to play."

MONDAY: Belgium, Cologne, Brussels. **TUESDAY:** Belgium, Paris, London, Bodrum. **WEDNESDAY:** Paris, London, Bodrum. **THURSDAY:** Egypt, Libya, Spain. **FRIDAY:** Ecuador, Venezuela. **SATURDAY:** Costa Rica, Cuba, Puerto Rico, Spain, Tunisia. **SUNDAY:** Maldives.

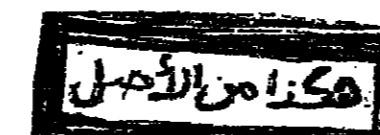
Source: Morgan Guaranty Trust Co., Reuter

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
PROJECTS OFFICER		The Centro Internacional de Agricultura Tropical.
PERSONNEL OFFICER		The Food & Agricultural Organization of the United Nations, Rome, Italy.
INVESTMENT MANAGER		U.S. Int'l Fund Investing Co.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrier, INTERNATIONAL HERALD TRIBUNE, 92521 Neuilly Cedex, France. Tel: (33) 46.37.93.81. Telex: 613595.



FBI Ranking
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El Salvador

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International
Airlines
Night Flight
Langkawi

Meese, Shultz Among Officials Remaining to Be Questioned

By Fox Butterfield
New York Times Service

WASHINGTON — The leaders of the congressional committee investigating the Iran-contra affair have shortened their original list of witnesses to five, among them Secretary of State George P. Shultz; Donald T. Regan, the former White House chief of staff; Secretary of Defense Caspar W. Weinberger and Attorney General Edwin Meese 3d.

Rear Admiral John M. Poindexter is to finish testifying before the committee early this week.

Then, the hearings are expected to summon James Radzinski, a former White House official who was in charge of the National Security Council's most sensitive records.

The congressional committee members, who are trying to sift through previous testimony and resolve inconsistencies and contradictions, hope the new witnesses can answer the questions about what earlier witnesses have said.

They are also confronting the most difficult question, which has

been below the surface of the hearings: How much of what they have heard can they believe?

Admiral Poindexter's testimony that he had never told President Ronald Reagan about the diversion to the Nicaraguan rebels of profits from Iran arms sales was consistent with what Mr. Reagan had said.

But the admiral's statements that he repeatedly withheld information from the president, from other White House officials and from Congress raised doubts among some committee members about his credibility.

There also have lingering doubts about the veracity of several other important witnesses. They include Lieutenant Colonel Oliver L. North; Richard V. Secord, a retired air force major general, and Elliott Abrams, assistant secretary of state for inter-American affairs.

Committee members acknowledge that some of those questions may never be resolved.

Mr. Meese is likely to come in for the toughest questioning of the remaining witnesses over his role in

the initial inquiry into the Iran-contra affair.

Previous testimony has shown that he instructed Justice Department officials to begin looking into it soon after a Beirut newspaper, in early November, disclosed the Reagan administration's arms sales to Iran.

But the admiral's statements that he did not ask tough questions and gave both Admiral Poindexter and Colonel North what amounted to an opportunity to destroy crucial documents before bringing in the Federal Bureau of Investigation.

Admiral Poindexter said Mr. Meese never asked him who had authorized the diversion of funds to the contras, as the Nicaraguan rebels are known.

Many committee members have said they want to know if Mr. Meese mishandled the investigation or was part of a cover-up.

"I tend to believe it was a case of gross incompetence," said Senator Warren B. Rudman, Republican of New Hampshire, who is vice chairman of the Senate panel.

With Mr. Shultz, the committee members are eager to find out how much he knew about the Iran-contra affair and what he did to stop it.

Mr. Shultz has contended he was kept in the dark on most of the key details and did not know the Iran arms sales were continuing. But Colonel North has testified that Mr. Shultz knew more than he has acknowledged.

With Mr. Regan, who has not figured importantly in any of the testimony so far, the members are curious to know whether a man who took pride in being totally in charge of the White House staff, and who personally selected Admiral Poindexter to be national security adviser, knew about the diversion.

Mr. Weinberger is likely to be asked how much he knew about the arms shipments to Iran, whether he tried to stop them and whether he fulfilled his obligations as a cabinet member. And Mr. Radzinski is expected to be questioned about the destruction of documents in the White House.

After the last witness is heard, the committee will release the private testimony of a number of minor figures who have not been called to appear in public. The committee will then write their report, which they hope to finish in September.

Mr. Rudman said the committee probably will not recommend any new laws to tighten control over covert operations.

"I haven't seen anything radically wrong with the system," he said, "but there was something wrong with the people."

Despite the many discrepancies in testimony from different witnesses, the hearings have answered a number of the questions that committee leaders said they were most interested in before the hearings began:

• They have traced the money from the Iran arms sales that flowed into secret Swiss bank accounts under the control of Albert Hakim, General Secord's Iranian-born business partner. Only about \$4 million was diverted to the contras, while Mr. Hakim and General Secord's "enterprise," as they called it, still retains over \$8 million.

At the White House, officials announced Sunday that Mr. Reagan would begin meeting regularly with the new director of central intelligence, William H. Webster, following disclosure of the role of his predecessor, William J. Casey, in the Iran-contra affair.

Ben Jarrett, an assistant presidential press secretary, said the meetings with Mr. Webster would occur every two weeks.

Mr. Casey died of brain cancer in May before Colonel North publicly disclosed that the former CIA chief was his closest adviser in the clandestine sale of U.S. arms to Iran and the diversion of the profits to the Nicaraguan rebels, known as contras.

• They were told by Colonel North that the diversion began with a suggestion to the colonel by Manucher Ghorbanifar, an Iranian middleman, who offered the plan as a way to make continuing the arms sales more attractive.

• They found that contrary to the Tower commission report in February, which depicted Mr. Reagan as having a detached style of management, Mr. Reagan was well-informed about both the Iran and contra operations, although apparently not about the diversion.

But in one of their most important findings, the hearings also revealed a deeply felt penchant for secrecy and deception in the Reagan White House, with Colonel North advocating "divide nothing" and Admiral Poindexter admitting, "Our objective here all along was to withhold information."

Sheikh Naji, a Shiite security official in Beirut and western intelligence sources said Lebanon had been fighting on the Iranian war front against Iraq and some of them had been taken prisoner.

"We are ready to defend Lebanon in the same way that we defend Lebanon and all Moslems wherever they are," said Mohammed Bjeij, a Hezbollah official in Mashghara.

"If there is any kind of resent-

INTERNATIONAL CLASSIFIED

(Continued from Back Page)

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A MESSAGE

TO MEMBERS OF THE EUROPEAN PARLIAMENT WHO DIRECTLY OR INDIRECTLY SUPPORTED THE "ARMENIAN RESOLUTION"

June 18, 1987: the European Parliament adopted a resolution entitled "A Political Solution to the Armenian Question"

Briefly this resolution:

- Alleged a genocide was committed against Armenians by Ottoman Turks in 1915.
- Made Turkey's accession to the EC conditional, interalia, on its acknowledgement of the Armenian genocide and the Kurdish problem.

June 21, 1987: a group of Kurdish terrorists made a raid on a village of 60 inhabitants near the Iraqi border, Pinarçik and killed half of them including 16 children and 7 women.

Are they unrelated?

What happened in 1915?

- Armenians have lived with Turks in peace and harmony almost a millennium. But in 1915 those who lived in the Northeast revolted against the Ottoman Government.
- As comrades-in-arms they collaborated with Czarist Russia, wartime enemy of the Ottomans, to uproot the Turks from their land where they were the overwhelming majority in the region and to establish a state based on the small Armenian minority.
- Armenian terrorist bands massacred tens of thousands of innocent people in order to eliminate Turks from the territory in question.
- The colonial and imperialist powers of the time supported the Armenians in their efforts.

What did the Ottoman Government do?

Was it genocide?

- It relocated the Armenians from the war zone to other parts of the Empire. But, "concentration camps" did not await them at their destination, neither did extermination.
- Armenians outside the war zone continued to live in peace and security. By definition, genocide is a deliberate act to wipe out an ethnic group in its entirety. Does the European Parliament mean that the Ottomans have invented an uneven regional distribution of genocide?
- It is true that the relocation was carried out under war conditions, with a very poor transportation infra-structure, in an exceptionally rough geography, during a period of epidemics and famine. It is deeply regretted that under these conditions many Armenians lost their lives.
- But the same conditions, apart from the Armenian armed attacks, equally affected the Turkish population whose losses were almost three times as high as those of Armenians. Aren't they considered equal human beings or are Christians "primum inter pares"? Why is no one utters words of compassion about Turkish victims?
- The European Parliament is taking a bizarre interest in the alleged Christian victims of a historically controversial event. But, despite outrages, it pays lip service to the 2 million Turks suffering brutal oppression in Bulgaria, now, in the 1980's.

Why then are the tragedies of 1915 unjustly labelled as genocide, thereby equating it with the Nazi genocide of Jews?

- It is obvious that the issue is historical, not political. Furthermore, it is intrinsically controversial. It is therefore, incomprehensible, that a political body like the European Parliament can so unscrupulously and lightly reach a conclusion which constitutes a great injustice to the Turkish nation.
- Racism is the driving force of oppression on ethnic minorities, and genocide is its culmination.

Without passing a moral judgement, it is a fact that the Turkish culture has never produced racist tendencies, and, as a consequence, no genocidal motivation either.

- The Ottoman Empire was a multi-national state. History bears witness to the traditional tolerance shown by Turks towards different nationalities.
- Charles XII of Sweden, Rakoci and Kossuth of Hungary took refuge in the Empire from the onslaughts of imperialism towards their countries.
- Ottomans welcomed tens of thousands of Jews who escaped the Inquisition in 1492. Thousands of Jews fleeing from Czarist pogroms and Nazi persecution found haven among the Ottomans or in the Turkish Republic. Among them were Ernest Reuter, Fritz Neumark, Fritz Baade, and even, for a time, Albert Einstein.

• Is it possible to say that other cultures have not produced racism? We know what lay behind the near extermination of Jews, gypsies and invalids, with the active and moral complicity of others. Efforts to exorcise this spirit are still going on. Moreover almost a million Algerians were killed by the French and the entire Crimean Muslim population disappeared in the Soviet Union.

Furthermore, racist pressures have been resurfacing, even mounting once again, this time against foreign workers who seem to serve as easy substitutes for Jews. This shameful form of violence has, however, been conveniently excluded from the sphere of concern of "progressive forces", including human rights associations.

- In this context, the linkage established in the European resolution between the accession of Turkey to the EC and the acknowledgement of the Armenian genocide and the Kurdish problem acquires an enlightening significance.
- Do the active and tacit supporters of this resolution want to dilute the concept of genocide by qualifying the Armenian relocation as genocide? Do they try to redeem and absolve the Christians, at least partially, by denying the uniqueness of the holocaust and by falsely accusing Turks, as Moslems, of having committed genocide first - against Christians? Do they imply that not they but Turks are racists for they racially oppress the Kurds? In short, do they project their own evil onto us? In all these efforts don't we see the traumatic effect caused by the one and only genocide of our era on the self esteem of the peoples belonging to the same culture?

You should know that:

- Those who unwittingly betray their own guilty have no lesson to teach the Turkish Nation.
- Those who suffer from the guilt of past crimes and current racist tendencies reminiscent of the past should face them in their entirety so that they will not feel compelled to project any part onto others.
- Ironically, the resolution of the European Parliament links the removal of obstacles to Turkey's accession to the EC to the condition that Turkey becomes "European" by confessing to genocide.

- But we are determined to take our place in a Europe which is totally cured of its past afflictions. The best proof to this effect will be for Europeans to be able to live with Turks as their equals.

Consider!

- This resolution will encourage Armenian militants to resume terrorism as they already publicly announced. It also provides justification for their demands for compensation and territory. The responsibility for terrorist incidents will be yours.
- Despite the controversial nature of the long ago events, Armenians have committed terrorist acts against Turks and threatened the European Parliamentarians with terrorism as well. If this is the way to achieve recognition for one-sided misrepresentations, those with genuine grievances may be more motivated to do the same.

The members of European Parliaments should awaken to the truth.

- The fact that the resolution goes beyond the subject matter and includes Cyprus and Turco-Greek relations, reveals the sinister coalition whose only aim is to keep Turkey away from Europe, not to restore historical truth. They try to deceive you by falsifying history. Don't be taken in so easily.
- This resolution legitimizes the worst form of terrorism in Turkey as seen in Pinarçik. To perforce condemn terrorism in the resolution is no more than a shame which does not relieve anybody of responsibility.
- This terrorism in Southeast Turkey is not a product of an ethnic oppression but instigated from abroad.
- Turkey does not have problems such as Spain's Basques, Britain's Northern Ireland, or France's Corsica.

If you don't mind, Turkey wishes to remain without such problems.

Don't forget!

Turkey stands between you and the chaotic, war-stricken Middle East, the only stable and strong country in the region

- Which returned to democracy after the period of externally instigated terror and anarchy of the late 1970's.
- Which now enjoys a rapidly growing liberal market economy and is gaining self-confidence in its vigor and ability.
- Which is a member of all Western Institutions, including the Atlantic Alliance in which it maintains the largest army among European members.

Don't take Turkey for granted!

In sum!

- This resolution is unacceptable to us. We deplore and reject it. We rejoice at mounting protests against it in the European public opinion.
- Unless the injustice done the Turkish people is corrected and respect for history is restored, the European Parliament will go down in history as an institution which betrays its own ideals and sponsors terrorism.
- We told you the truth no matter how bitter it is for we think that unspoken truth is poisonous. It is time that we act together with a minimum of rationality in an increasingly irrational world.

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Türk Atlantik Antlaşması Derneği

Union of Turkish Parliamentarians
Türk Parlamenteler Birliği

Confederation of Turkish Labour Unions
Türkiye İşçi Sendikaları Konfederasyonu

Promotion Foundation of Turkey
Türk Tanıtma Vakfı

Turkish Industrialist and Businessmen Association
Türk Sanayici ve İşadamı Derneği

Confederation of Turkish Employers' Unions
Türkiye İşveren Sendikaları Konfederasyonu

Union of Chambers and Commodity Exchanges of Turkey
Union of Chambers of Commerce, Industry, Maritime
Commerce and Commodity Exchange of Turkey

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Ticaret Borsaları Birliği

Turkish Journalists Association
Gazeteciler Cemiyeti (İstanbul, Ankara, İzmir)

Foreign Policy Institute
Dış Politika Enstitüsü

Turkish Press Industry Employers' Union
Türkiye Basın Sanayii İşverenler Sendikası

Economic Development Foundation
İktisadi Kalkınma Vakfı

Turkish Journalists Union
Türkiye Gazeteciler Sendikası

INTERNATIONAL HERALD TRIBUNE

Put Off the Reflagging

This week the Reagan administration will in all likelihood throw away its last slim chance to substitute diplomacy for unwise military operations in the Gulf.

Administration officials think there is little doubt that the United Nations Security Council will vote soon to demand that Iran and Iraq stop fighting, and to dispatch the secretary-general to talk with the parties. Yet before he even arrives, the U.S. Navy is expected to escort the first of the Kuwaiti oil tankers flying new American flags.

Despite the UN initiative, Washington says it has no intention of delaying the escort operation. That is a mistake. Going forward likely means closing the diplomatic window prematurely. Delay preserves the option should diplomacy fail.

The administration decided on the plan to protect 11 Kuwaiti ships in March. The stated rationale was to preserve freedom of navigation. There were deeper reasons: to tilt to Iraq by helping its ally, Kuwait; to block Soviet help for Arab moderates; to help the Arab world forget the Iran arms-for-hostages fiasco. The thinking was reactive and hasty. Majorities in the Senate and House eventually showed their disapproval. Nonetheless the administration plowed ahead, without looking for wiser alternatives.

The State Department did develop a UN strategy, intended to show that the administration had not forsaken diplomacy. This had a cosmetic look to it, suggesting an effort to send Secretary-General Javier Pérez de Cuellar on a hopeless mission and blame the United Nations and him for its failure. He is said to share such suspicions and has been noticeably quiet about the plan.

Still, the plan has merit. Probably this

week, the administration will press for a cease-fire resolution combined with mediation guidelines for the secretary-general. The cease-fire guideline would please Iraq, which has long called for an end to the war it started. Three other draft guidelines are intended to appeal to Iran: an international tribunal to determine causes of the war, a reconstruction fund and a ban on chemical weapons, which Iraq has used repeatedly.

Mr. Pérez de Cuellar may have an even more effective card to play. The Reagan administration is readying a second resolution calling for an arms embargo against whichever side rejects the cease-fire. That could only mean Iran. Surprisingly, Moscow and Beijing have not expressed interest in this approach, and Paris and London favor tough action. Arms embargoes have never been decisive, but they do hurt, and Iran already has to scrounge for arms.

White administration officials maintain that the UN resolutions hold promise, they still will not entertain delaying the escort operation. Delay, they insist, would show irresolution and embolden Iranian radicals. Maybe so. But going forward and tilting so sharply toward Iraq would make it almost impossible for Iran to respond to the United Nations or compromises.

Why not wait a few weeks to leave time for the UN initiative to play out? Kuwait can afford to wait for the protection. America cannot afford another costly misstep in the region. Iran is unlikely to accept the UN initiative, but that remains the only alternative. The United States may finally have to pass our flags, and protection, but it would be sensible first to give diplomacy a chance.

—THE NEW YORK TIMES.

Taiwan Loosens Up

President Chiang Ching-kuo did not act impulsively in ending martial law on Taiwan. It has been in force for 38 years. So that everybody understands there are still limits, his government imposed a new security law that continues key political restrictions. Nonetheless, the 76-year-old son of Chiang Kai-shek deserves a salute. Taiwan is finally moving from a closed political system, opening windows in a musty fortress.

In December, Taiwanese were for the first time allowed a real choice in elections. A newly formed Democratic Progressive Party won 13 of 73 legislative seats up for election in a 319-seat legislature, a start in legitimizing party competition. The opposition is small, but scarcely tame. Its leaders have assailed bloated military budgets and the arrogance of an aging dictatorship.

What remains forbidden under the new security law is advocacy of communism and "the division of national territory." The latter is a code phrase to warn the native Taiwanese majority away from a direct challenge to President Chiang and his party.

—THE NEW YORK TIMES.

A Twilight Agenda

A lame duck, Safire's Political Dictionary pronounces, is an officeholder whose power is diminished because he is soon to leave office. By that standard, President Reagan is no lame duck. He is not scheduled to leave office for 550 days. At the moment, however, to call Mr. Reagan a lame duck is almost an overstatement.

Friday's front page of The New York Times gives some measure of how entangled the administration has become in defending itself, how immobilized it is in one policy area after another, how far removed it seems from governing: One old Reagan hand is indicted for fraud; another, already indicted, announces an interim appeal to the Supreme Court; the Iran-contra committee reacts with skepticism and suspicion to a former national security adviser; the administration fears that chances are fading for a fall summit conference with Mikhail Gorbachev.

The news is not soon likely to improve. Even if the Iran-contra investigations turn up no sour surprises, the hearings will run their course and produce stinging reports. Even without any smoking gun, deep damage has already been done.

For six years President Reagan floated on a lofty cloud of public trust. With the November election and Iran-contra revelations, he was dropped rudely back to earth. Only one American in three believes him when he says he did not know about Iran arms profits going to the contras. Prime Minister Margaret Thatcher comes to his side, but other foreign leaders display wary courtesy.

And yet no sensible American can wish for 550 days of dismay. Lame duck is bad enough; paralyzed duck would be catastrophic.

—THE NEW YORK TIMES.

Other Comment

What Should Others Think?

As the United States continues its singular tradition of hanging its dirty laundry out in public, the rest of the world watches with emotions ranging from curiosity and incredulity to begrimed admiration. Although not many world leaders would say so publicly, one of the United States' greatest strengths is its willingness to publicly discuss its weaknesses. That has been particularly true during the most recent round of hearings in which Oliver North and John Poindexter

have eloquently defended their actions. [But] these two men, and a wide-ranging cast of characters scattered around the globe, have made a lot of people wonder just who is really in control of U.S. foreign policy and whether they can believe what the U.S. president is saying in public. And what are the leaders of other countries to conclude from all of this? They can still believe that whatever sensitive arrangements they might find necessary to make with the United States will not become tomorrow's headlines?

—The Jakarta Post

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OPINION



Chile: Pinochet and His System Both Have to Go

WASHINGTON — A year ago, Chile made new demands for democracy — specifically, constitutional reform to permit open and direct presidential elections, led to a general strike, the murder of a young man and some evidence that the military was being forced to reconsider its policy of repression and political exclusion. In Chile's case, hope for change was reinforced by United States officials' calls for a swift transition to democracy. Now the accused killers of Rodrigo Rojas, the United States resident burned alive by soldiers last July in Santiago, are absolved of fire on bail. Dozens of other killings and extreme cases of torture have taken place since last July. The demonstrations that culminated in last year's general strike have been stifled by a four-month state of siege and, more recently, by selective repression and the opposition's own disagreements.

The Reagan administration, meanwhile, has made plain, by declining to vote against international credits to Chile, that it will not exert the pressure that matters most to Augusto Pinochet, even though Chilean centrists favor such pressure. More than ever before, the administration is courting the armed forces, rather than the civilian opposition, as the key to a controlled "democratic transition."

The Reagan administration follows the logic that only the military can upset General Pinochet's plan to become the sole candidate in a presidential plebiscite expected late next year or early in 1989. As a commander who claims to combat terror-

By Cynthia Brown

That logic has some merit. If the armed forces commanders select him, General Pinochet can expect to win the yes or no vote. He is orchestrating voter registration for his supporters while countering the new electoral system's costs and obstacles to discourage opposition voters' registration. He can advance the plebiscite's date to truncate the period for opponents to comply with the cumbersome requirements for registration. If all else fails, the electoral system is structured to invite fraud.

By Reagan administration logic, the trick is to convince the junta to select another candidate and lead the country into the post-Pinochet period while remaining in charge behind the scenes. Some military leaders apparently concur; in early June, two of the four junta members said they were leaning toward a civilian candidate.

But the administration may not take General Pinochet sufficiently into account. He has handled military dissenters before. He can create an atmosphere of war, as he did after the two junta members' statements and, many believe, in response to them. In an 18-hour period in mid-June, the security police killed 12 people. One operation left seven men and women dead together; the security police called it a shoot-out with terrorists, but physical evidence and witnesses' accounts point to executions.

As a commander who claims to combat terror-

ism, General Pinochet can count on the military's reflexive loyalty. This, combined with the administrative and political tools at the general's disposal, may be enough to maintain military cohesion.

The Reagan administration's logic is flawed in another sense as well. If not accompanied by strong support for the civilian opposition's demands for free elections and constitutional reform, U.S. reliance on the military encourages its entrenchment.

Even if the armed forces jettisoned General Pinochet, the plebiscite is to be a tightly controlled process, and the constitutional plan for future government is what General Pinochet calls "protected democracy," with the military retaining long-term indirect control, elected representatives possessing little power and permanent exclusion of the left from the electoral process.

The Reagan administration does not quarrel with the plebiscite, or with the military's plan for future government. Its logic leads, indeed, to the Pinochet model without Pinochet.

A year ago the Chilean democratic movement had high hopes for U.S. support, and Washington's statements helped soften the military's position.

It should not require upheaval, as in South Korea, to convince the Reagan administration to commit itself fully to free elections.

The writer is associate director of Americas Watch, a human rights organization. She contributed this comment to The New York Times.

Turkey: An Old Police Habit of Torture Persists

By Jeri Laber and Lois Whitman

NEW YORK — Turkey's chief of police, Saffet Arakan Beduk, recently made a plea on behalf of torturers. Referring to policemen convicted of using torture, he acknowledged that "small incidents have occurred," but called it "a pity" that "some of our friends have been punished" since they "worked with good will and merely made some mistakes."

Just a few days before Mr. Beduk's statement appeared in the Turkish press, we interviewed a young woman in Istanbul who had been held and tortured for 20 days in the Gayrettepe police station. Twenty-six years old and the mother of a young child, Nurhan (this is not her real name) was accused of having distributed Communist leaflets on the eve of May Day. She was subjected to relentless interrogations and beatings, given electric shocks and doused with cold water to intensify the pain. "It's not the electricity that hurts," she said, "it's the convulsions, and hitting yourself during them."

She finally confessed to whatever her torturers demanded. So did Zeynep, who was detained some days before Nurhan and, during torture, implicated Zurhan, a casual friend.

It has been almost two years since martial law was lifted and a series of reports appeared in the press and in the National Assembly concerning torture by the police. This attention, plus the government's assumption that it was punishing torturers, aroused hopes that an age-old practice in Turkey might be brought to an end at last.

The present government boasts

that it has ended it. According to the minister of justice, legal action has been taken against some 1,500 torturers, and 100 have been sentenced.

But torture is difficult to prove. Victims are blindfolded so that they cannot later identify their torturers. There are usually no sympathetic witnesses in the torture chamber and people who are released from custody are often afraid to press charges for fear that they will be taken again.

Torturers use techniques designed to leave no trace — hence the popularity of electric shocks; and doctors assigned to examine torture victims are appointed by the state. Thus the procedures that authorities have established for bringing complaints of torture usually do not work, except in extreme cases where the victim has

died or been permanently damaged.

A newly formed Human Rights Association in Turkey has documented 169 deaths from torture since 1980. The list includes 36 "suicides" in police stations, 30 of which occurred in the last 18 months. During

a visit to Turkey, we received numerous reports of recent torture, including one of a 5-year-old boy given electric shocks in front of his parents in order to force them to "confess."

Torture in Turkey takes place mainly in police stations during an initial period of investigative detention. Under present regulations, the Istanbul police can hold detainees for 15 to 30 days of interrogation without giving them access to relatives or lawyers.

"If I had asked to see my lawyer, Nutman said, laughing at our question, 'they would have told me I'd been seen too many American movies.'

If the Turkish government is really intent on eliminating torture, it should

approve a bill being introduced in the legislature for the second time, that would guarantee detainees immediate access to a lawyer. It should enact further legislation that would shorten the period of detention, allow victims to be examined by doctors of their choice and dramatically increase the penalties for torturers. Above all, the government should demonstrate, by action, its will to end torture forever.

What would happen if the president of the prime minister were to drop in, unannounced one day at the infamous Gayrettepe police station? Perhaps they would interrupt the torturers in action. They probably would find their equipment: leather blindfolds, cattle prods, rubber tires, poles for suspending people, straps for tying them, clubs for beating them.

Such evidence would dissolve once and for all the myth that torture has ended in Turkey since an occasional act of "excessive zeal." It would put the police on notice that the government meant business. It might ultimately bring truth to the fiction that Turkey has eliminated torture.

Jeri Laber is executive director of Helsinki Watch, a human rights organization. Lois Whitman is a consultant to Helsinki Watch. They visited Turkey last month and contributed this comment to The New York Times.

The Politics Of Money: Déjà Vu?

By Jim Hoagland

PARIS — A new projection by the Congressional Budget Office that shows the federal deficit rising to \$198 billion in 1989 is a body blow to the monetary strategy that Treasury Secretary James Baker has been pursuing for the past six months.

Mr. Baker has been skillfully buying time, waiting for the improvements he has predicted in the American trade and budget deficits to blunt protectionist pressures at home. They would also encourage Japan and West Germany to take increasingly larger steps to lead international growth and help revive the American economy.

Mr. Baker's belief that the deficit would be no higher than the \$161 billion that the CBO originally projected for 1989, and might in fact be lower, has been an article of faith for him in persuading others to cooperate with U.S. economic policy.

Throughout the spring and early summer, he assured the Europeans and Japanese that the United States was making significant progress in curbing its financial profligacy. Cutting \$40 billion out of the deficit in two years, he said in international conferences in Paris and Venice, was nothing to sneeze at.

Moreover, he committed the United States to deficit reductions as part of the Louvre monetary agreement of last February. West Germany and Japan demanded that as the price for their agreement to stimulate their economies.

But the CBO's new deficit estimate, based on lower than expected tax revenue, higher inflation and rising interest rates for 1989, leaves Mr. Baker without a paddle for his policy canoe, as America's economic partners ponder continuing cooperation with it under the Louvre agreement. The new 1989 deficit estimate is nearly twice the \$108 billion target that the Gramm-Rudman-Hollings legislation would have mandated and that the administration has adopted as its goal.

The CBO projection has been followed by figures showing the trade deficit for May widening again, creating new doubts in financial markets about the dollar. It is enough to make some European bankers sit that American folk hero, Yogi Berra, and ask if we are seeing déjà vu all over again. They recall the summer of 1979, when a new U.S. Federal Reserve chairman had to face a precipitous decline in the dollar as its first crisis.

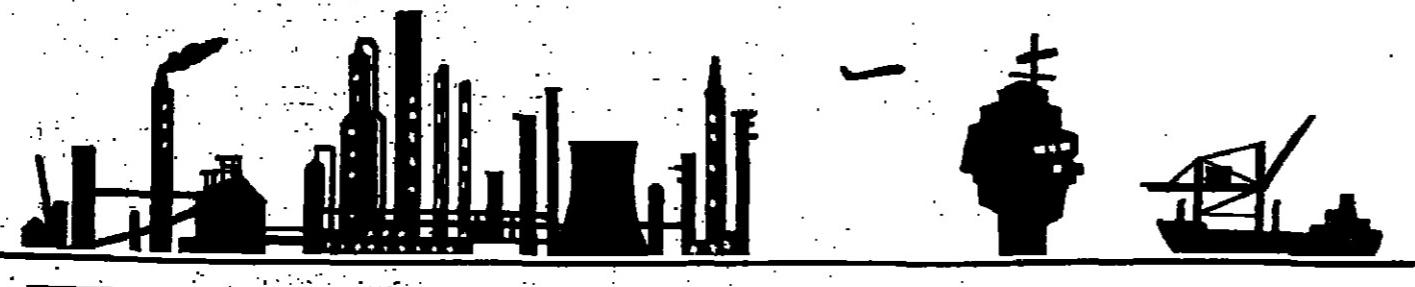
Under the urging of West Germany's Karl Otto Pöhl and other central bankers, Paul Volcker responded by forcing the Carter administration to accept monetarism, in the form of high interest rates, as its central policy mechanism. He saved the dollar, tamed inflation, and destroyed Mr. Carter's chances in the 1980 election.

That same year and Mr. Volcker's recent resignation may offer some insights into the challenges that his successor at the Fed, Alan Greenspan, could face if we are in fact heading back to the future this summer. It seems clear that Mr. Volcker would have stayed for a third term only if President Reagan had made a strong personal request to him to do so — the kind that would have included a firm pledge to back measures as draconian as the ones Mr. Volcker used eight years ago if they were needed.

Did Mr. Volcker foresee that significant new interest rate increases and other squeezes would be needed in the domestic economy as

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With its extensive port, the Dubai Jebel Ali Free Zone is a key distribution point for the transshipment of goods and is fast assuming greater importance as a regional manufacturing center. More and more international companies from the United States, Japan, Britain, India and Pakistan are being attracted to the Free Zone because of the unique package deals it offers would-be investors and the importance of its geographical location at the crossroads between East and West.

The Jebel Ali Port Control Tower



Jebel Ali Free Zone Becomes Market Focus for 1 Billion People

NEW doors constantly are being opened to accommodate the expanding activities of the Jebel Ali Free Zone Authority, claims Ed Butler, FZA's recently arrived marketing director. Since the FZA was created just two years ago, more than 130 companies from all over the world have taken advantage of the incentives and attractions offered to them. Following the completion of the port with its 69 deep-water berths and the development of major industrial projects including an aluminum smelter, a gas processing plant and desalination and power plants, Jebel Ali now heralds a new era in the development of Dubai, a member of the United Arab Emirates.

Sometimes called the 'Hong Kong of the Middle East', Jebel Ali and Dubai are geographically located at the crossroads for trade between Europe and the Far East.

Sultan Bin Sulayem, chairman of the Jebel Ali FZA, sees the zone as the ideal midway point between East and West. "We also offer much more than the existing concessions in Dubai," says Mr. Sultan. Nevertheless there is close cooperation with Dubai, often dubbed the "City of Merchants," where the local Chamber of Commerce and Industry plays an active role in fostering the development of the Zone with the collaboration of local traders and businessmen. There are also close links with the newly extended nearby Dubai International Airport for the expanding sea-air cargo business.

Speaking just after returning from a promotional tour to Japan and the Far East, Mr. Butler said that after meeting

with trading companies, banks and manufacturers he felt that there was a "real educational job to do out there."

And the picture is certainly changing as the FZA, which includes the largest man-made port in the world, gears up for the second-semester rush of applications.

Although interest may still be slow in the Far East, Mr. Butler says that already three Japanese groups are to use Jebel Ali. Mitsui OSK shipping line will use the port for bunkering; Mitsubishi Motors and its local agents, Al Habtoor, are doing pre-delivery checks and fitting some ancillary equipment. There are possible plans to import vehicles in kit form and reassemble them in the Free Zone. A third Japanese venture involves a leading trading company which is establishing itself in the Zone.

These Japanese companies are joining the long string of internationally known companies such as Cleveland Bridge, Rank Xerox, York International, Black & Decker and ARCO, among others, who have moved into the Zone. One of the latest major arrivals in the last year has been the oilfield services and supplies company, McDermott, which has taken up a 130-acre site. Previously it occupied a large area toward the head of Dubai Creek, which is now being developed as a city amenity site with offices, public buildings and landscaped waterside gardens.

The latest group of arrivals includes 26 garment and textile manufacturers, who among them are producing several thousand pieces of clothing a month. The "Made in Dubai" label now adorns exports to many parts of Europe and North America. Jebel Ali has become so popular with

the textile trade that the FZA has had to put a temporary hold on further applications.

"We are really confident about the development of further manufacturing units," says Mr. Butler, who believes the FZA can offer advantages that are unique in the world.

"The decree forming the FZA two years ago has really opened up this place for new business," Mr. Butler says, adding that official permission has been given to form offshore banking units and insurance companies within the Zone. Three banks, the British Bank of the Middle East, the National Bank of Dubai and United Gulf Bank, are said to be interested in starting operations. Some already have retail facilities in the Zone.

Mr. Butler says: "We are not quite sure how banking will be developed and we are currently studying the position."

If offshore companies and banking units are allowed to operate in the conventional manner from within the Zone, a new line of activity could be opened up, especially for offshore companies. They could then take advantage of the physical as well as fiscal incentives offered to operators by the FZA.

The Dubai government has poured well over \$2 billion into the Jebel Ali Free Zone, which much of the world's freight industry now regards as a key transhipment point.

Mr. Butler is quick to underline this factor. "Yes, of course distribution of freight is one of the main reasons why so many companies see the value of Jebel Ali. But it is also a very cost-effective place for assembly and manufacturing operations."

Mr. Issa Baluch, of Gulf Express Freight, which was one of the first freight-forwarding and handling agencies to establish an office in Jebel Ali, emphasizes the importance of the distribution factor.

"It is now becoming more popular as a transhipment center and we are handling cargoes, often very specialized ones such as electric cables, electronics and spare parts, which go as far afield as Zimbabwe and the Sudan."

Close cooperation from the FZA and the absence of red tape are singled out for favorable comment by Mr. Baluch. He believes that any company wanting to do business with members of the Gulf Cooperation Council would find Jebel Ali the ideal distribution center (the GCC members apart from the UAE are Bahrain, Kuwait, Saudi Arabia, Qatar and Oman).

Another important advantage of Jebel Ali cited by Mr. Baluch is that a trader or his agent has to deal with only one authority, the FZA, which handles everything from customs duties to food and health inspections.

"There is always a very reasonable attitude taken by the authorities," he adds.

One of the biggest projects being completed alongside one of the jetties is a massive grain elevator storage system, which is thought to be one of the largest in the Middle East. Twelve silos are being built and each one will be able to hold 10,000 metric tons of grain. The silos will be used as a central grain distribution center for the region and are expected to be fully operational by the end of the year.

(Continued on page 8)

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Jebel Ali Free Zone Authority

Mr. Edward A. Butler, Director of Marketing
Dept. 24, P.O. Box 3258, Dubai, United Arab Emirates
Tel.: Jebel Ali 56578, Telex: 46580 TPAJA DM
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THE PRIDE OF DUBAI

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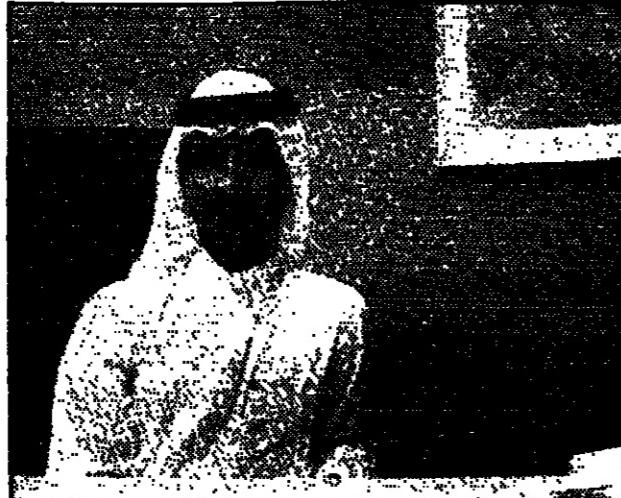
Increased Production, Expanding Industry

THE whole Jebel Ali area has been declared a free zone and already contains more than 70 manufacturing companies. The first basic industries to move in while the port was being constructed during the late 1970s and early 1980s were Dugas, Dubai—the aluminum smelter—and Dubai Electric Company, with its power station. They were later joined by 70 other companies involved in a wide variety of manufacturing and assembly operations, from shirts to potato chips and aluminum extrusions. Jebel Ali is now rapidly becoming the focus of industrial activity in the United Arab Emirates.

As one approaches the Free Zone Area along the main highway from Dubai, the eye is first caught by the gleaming silver painted towers, pipes and gantries of the gas and smelter plants. Smudges of smoke hang low in the mid-afternoon sun and there is the odd flicker of orange flame from the Dugas processing plant waste stacks.

Inside the port are the steel-skeleton frames of oil platforms and drilling rigs towering skyward, while streams of container trucks enter and leave the terminal.

Intercity Engineers moved in two years ago with a galvanized fabrication plant, and now serves a growing list of local customers. One of the newest and biggest arrivals is McDermott, the oil-field supply group, which recently left its creek-side site in Dubai. McDermott occupies one of



Sultan Bin Sulayem, Chairman of the Jebel Ali Free Zone Authority Board.

the largest areas in the Zone—130 acres—and employs about 2,000 workers, engineers and technicians.

It has already manufactured and launched its first Waterflood-3 jacket (a steel jacket put around a drill) from its new yard for the Dubai Petroleum Company, which has installed it in the southwest Fatch oil field.

McDermott, in Dubai since 1970, has played a major role in oil-field development for the UAE. Its activities are not limited to servicing local demands.

Since moving to Jebel Ali it has also produced oil-well structures for use in India.

DUCAB, a joint venture with Britain's BICC, is a leading electric cable maker. It has an integrated cable-making plant, unique in UAE, that produces power transmission, control and building cables from copper and aluminum rods. More than 180 different types of cables are produced.

Since manufacturing began in 1983, production has

increased by over 250 percent. Last year cable output totalled 26,500 kilometers (16,500 miles), with sales of over 60 million dirhams (\$16 million).

Record production and sales were attained by Dubai, which has one of the most up-to-date and efficient aluminum smelters in the Middle East. In spite of a global recession in the aluminum business, total production rose to a record high of 155,000 tons. Capacity will be increased to 177,000 metric tons a year by 1990 when new technology by Kaiser Aluminum Technical Services will be fully operational. The highly computerized complex operates 24 hours a day with a staff of only 1,300.

Duba's main customers are the United States with 73,000 metric tons, Japan with 35,000 tons and Taiwan with 12,000 tons. Local consumption within the UAE amounted to just over 7,500 metric tons. Last year was the first time that substan-

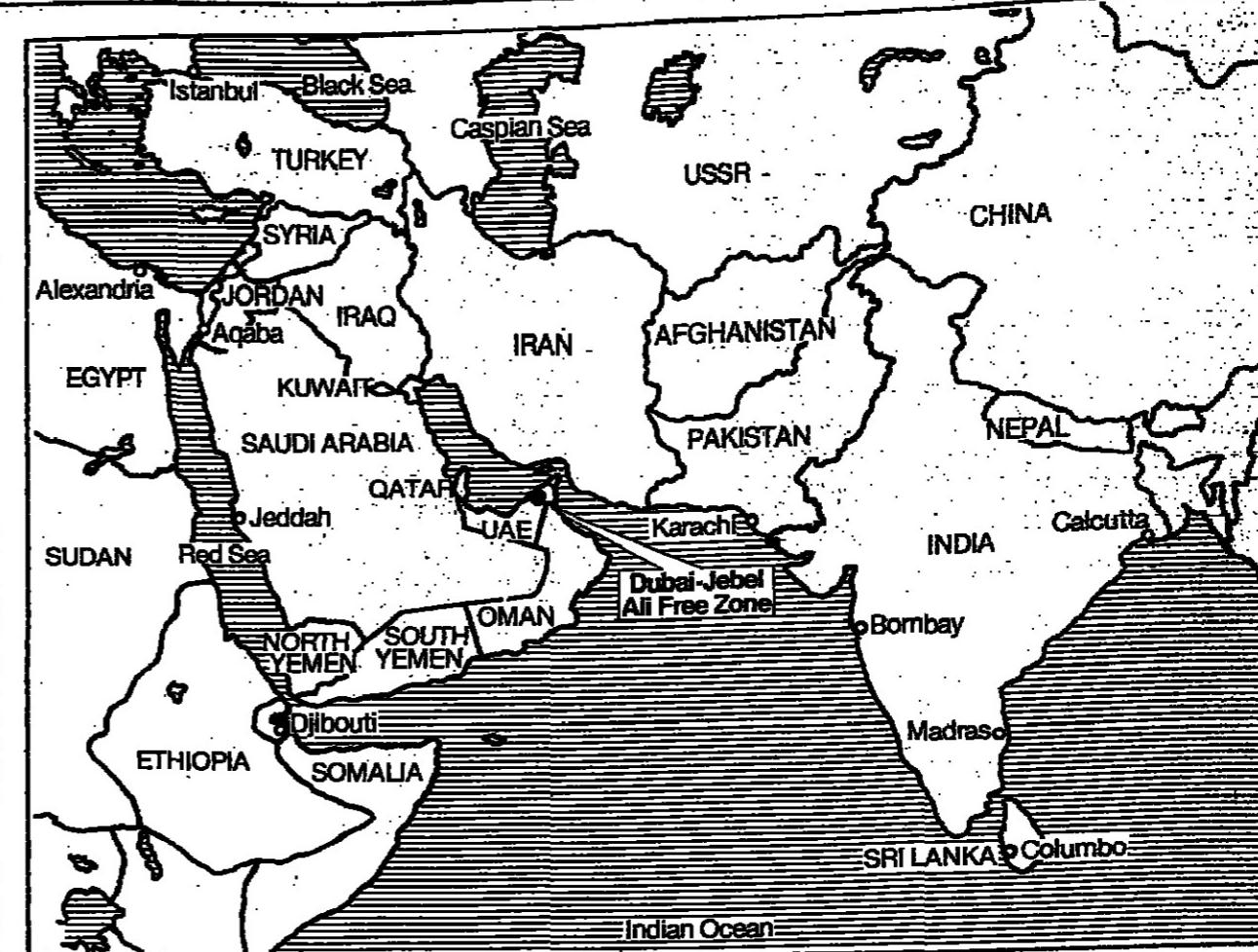
tial quantities had been bought by the UAE. The rest of the production went to Portugal, West Germany, Belgium and Oman.

Fuel for the smelter is derived from Dugas and is used to generate electrical power for the smelter.

Waste heat from the smelter operation and power station is used for desalination.

This is a vital part of Dubai's operation, which in effect is a combined smelting, power and desalination process, probably the only such system in the world on this scale. Desalination is vital for Dubai, which takes about 24 million imperial gallons a day from the plant.

Maximum output of drinking water is about 32 million gallons a day during peak periods.



Potential market focus for Jebel Ali Free Zone.

(Continued from page 7)

Last spring the FZA opened a new block of offices for incoming companies. Before the official opening, 26 offices, half those available, had already been signed up.

"We feel confident that

the rest of the space will be taken up soon and we are now planning a second two-story block," says Mr. Budar.

Besides warehousing and storage facilities, the FZA also provides "shell" buildings for manufacturing units. The FZA is proud of the way it deals with appli-

cations for licenses from companies wanting to come into the Zone. A rapid turnaround is guaranteed.

One man who is more than pleased with the way the FZA has cooperated is one of the textile manufacturers, Inam Ahmed Khan, director of the Jebel Ali Textile Mill, a subsidiary of a British company.

"It was the complete absence of red tape and total cooperation that led us to Jebel Ali and we are more than satisfied," Mr. Khan says.

Jebel Ali Textile Mill, which is housed in one of the shell units, now employs

more than 100 workers. Production is rapidly expanding, and by the end of the year Mr. Khan hopes to be producing nearly 750,000 metric tons of garments for export to Britain and Europe, and possibly to North America.

Mr. Khan was one of the first textile operators to move into the Zone. He was quickly followed by about two dozen other companies in the garment trade, mainly from Pakistan and India.

Jebel Ali now has about 70 working manufacturing operations, and, according to Mr. Butler, there are several other firm prospects in the

pipeline. After a slow start-up, the wheels of industry are now beginning to turn more rapidly, especially since the formation of the FZA two years ago.

The main incentives—100-percent foreign ownership and single sponsorship for workers by the FZA—have been key factors in promoting the port and Free Zone.

Mr. Baluch, of Gulf Express, sums up a general view on Jebel Ali: "The FZA is very successful and people can only ask, 'Why wasn't it done sooner?' We hope everything will continue as it is."

FZA Offers Minimal Red Tape and Maximum Incentives

THE Free Zone Authority offers would-be investors a total package of incentives and has also reduced bureaucracy to a minimum. Its geographical position—8,000 sea miles from South Korea, 6,500 from Hong Kong, 3,500 from East Africa, 7,500 from Central Europe and 10,500 miles from the U.S. East Coast—makes it an ideal distribution center for a wide range of goods that can be transhipped by air or sea, or manufactured within the free zone area.

The other main incentives are: 100-percent foreign ownership; 100-percent re-

patriation of capital and profits; no corporation taxes for 15 years; no personal income tax; no currency problems; no recruitment problems; cheap energy; efficient communications; attractive working environment; and full support services.

Companies wanting to operate within the Free Zone are granted two types of licenses—general or special. The general license is designed for companies wishing to operate or do business within the Jebel Ali Free Zone area itself as well as in the rest of Dubai and the United Arab Emirates. Only companies that com-

ply with existing municipal and federal legislation regarding partnership rules and immigration controls may be issued a general license.

The special license is for those wishing to operate within the Zone, but not within the UAE as a whole. Companies with a special license are treated as foreign companies and are freed from local and federal operating restrictions. Those operating under special license do not need local partners, and may do business in the UAE provided they use a local agent. Employees are

forbidden to work outside the Free Zone.

A company operating under a special license benefits from simplified immigration legislation. For instance, a company requiring a number of workers, whether a few or several hundred, applies through the FZA,

After provisional approval is granted, details for the actual license are required together with other necessary documents. Staff sponsorship, construction plans and other basic requirements are then dealt with and, after a final inspection of premises, a completion certificate is issued. The FZA says that the whole procedure takes a matter of weeks rather than months. This is a considerable advantage over other local negotiations which can sometimes drag on for long periods. Also, compared to the operational procedures of other free zone authorities in the Middle East, Jebel Ali FZA administers its applications with a minimum of red tape.

Rents are low. Land is \$1.45 per square meter a year, warehousing \$3.25 per square foot a year, offices \$12.15 per square foot a year. Utility services—water, electricity and sewerage charges—are also low.

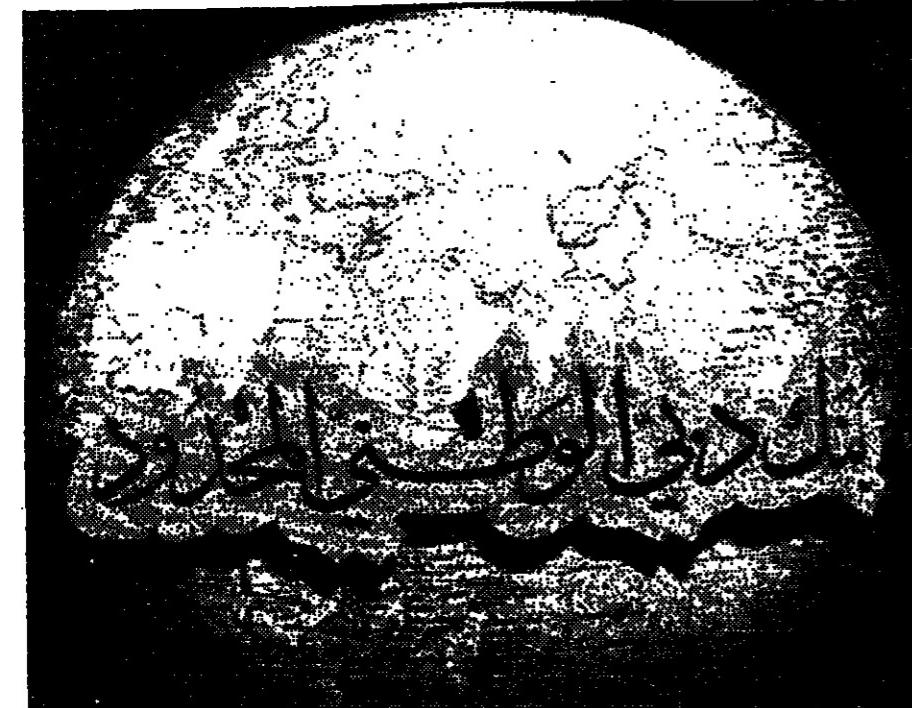
Other costs relating only to companies holding a special license apply to labor recruitment. Visa fees vary according to the worker's country of origin, but it is suggested that companies

should set aside between \$82 and \$136 per person. The FZA will also recruit staff (\$82 per person) on behalf of a company if required. The FZA provides medical coverage for \$82 a person and obtains health cards from the Department of Health and Medical Services. Companies with more than 40 employees have the option of arranging medical treatment themselves, subject to prior agreement from the FZA.

Various types of accommodation are provided for workers within the Zone where various communal facilities are available. mosque, privately operated canteens with free video shows, supermarket, barber shops and telephones. Rents for a senior worker's room (maximum occupancy four people) is approximately \$150 a month.

Although companies with special licenses are forbidden to operate outside the FZA except through an agent, their employees are not confined to the Zone (although they cannot work outside it). Transport is available to take them to Dubai for rest and recreation when needed. Jebel Ali is about a 45-minute drive from Dubai.

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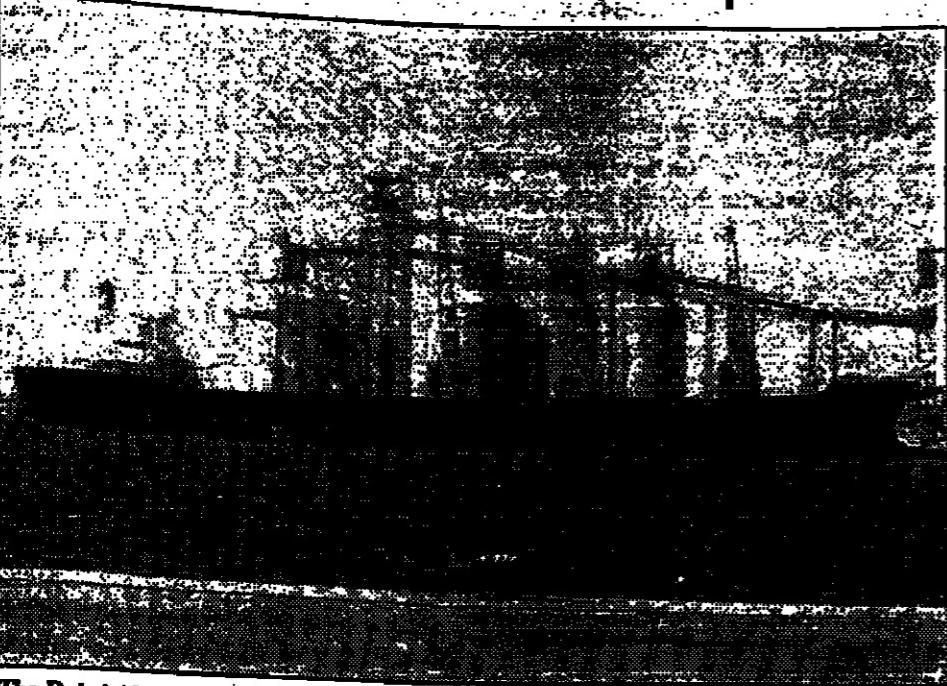
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مكتبة من الأفضل

Improved Sea-Air Transport Boosts Trade



The Dubai Aluminum Works has its own quay at Jebel Ali for unloading.

DUBAI has never had an oil-based economy and has traditionally relied on trade, in particular the re-export business, for its livelihood. Dr. K.G. Fenlon, a well-known British economist and Middle East expert, commented once about Dubai: "It is the only place in the Middle East which is capable of pulling itself up

by its own bootstraps and making a good job of it." The port of Jebel Ali has been a vital part of that bootstrap operation, and has confounded its critics, who believed that the giant hole in the ground was the biggest white elephant in the Arab world.

Like so many things in the Emirates, the birth of Jebel Ali can be traced to the

foresight of its ruler, Sheikh Rashid bin Saeed Al Maktoum. Jebel Ali is the name of a small rocky bluff in the desert overlooking the sea. It is now dominated by satellite and microwave communications dishes and a small "executive" apartment village.

Tradition says that the Sheikh was picnicking one afternoon in the mid-1970s

at Jebel Ali, one of his favorite spots, when he noticed lines of ships at anchor off the coast. This was during the heady days of the oil boom in the Gulf, and the freighters were waiting to discharge their cargoes in the limited, over-crowded harbor facilities at Dubai and Abu Dhabi.

After gazing at the waiting ships, he thrust his walking stick into the sand and declared to those about him: "Let us build a port here!"

For good measure, he added that he wanted it working in four years. That was nearly 10 years ago. It was the beginning of a massive construction operation, as two huge basins were carved out of the desert, approach channels dredged, wharves and jetties constructed and service roads laid out. Everything was completed on time, and the whole project covers about 7,500 acres. It takes almost 30 minutes to drive from one side of the port to the other. Resembling a giant letter "F" lying on its side, it is said to be one of the few

man-made works on earth visible from the moon.

The port itself covers 2,500 acres and has 15 kilometers (9 miles) of quays with deep-water berths for 67 vessels drawing up to 13.5 meters. It has the very latest handling equipment to cope with any kind of cargo from bulk dry goods and containers to oil and petroleum products. A massive new grain elevator with storage for 120,000 metric tons is nearing completion; there is a cold store and other temperature-controlled ware-

houses, which this month began its first service to Europe with a daily flight to London. This is to be followed shortly by a service to Frankfurt.

Ram Menen, of Emirates cargo division, sees close links with Jebel Ali as an important step forward. Following the growth of manu-

facturing activity within the Jebel Ali Free Zone, Mr. Menen believes there is plenty of scope for more air cargo business. A typical new product for air cargo is textiles, now being made by 26 companies in the Free Zone.

Emirates is now handling

This advertising section was written by Lee Voysey.



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Construction work on a new 227 MW, 24 million gallon station next to the existing station started in February 1986.

The Company also established a bulk distribution point at Jebel Ali when it

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DUBAI ELECTRICITY COMPANY

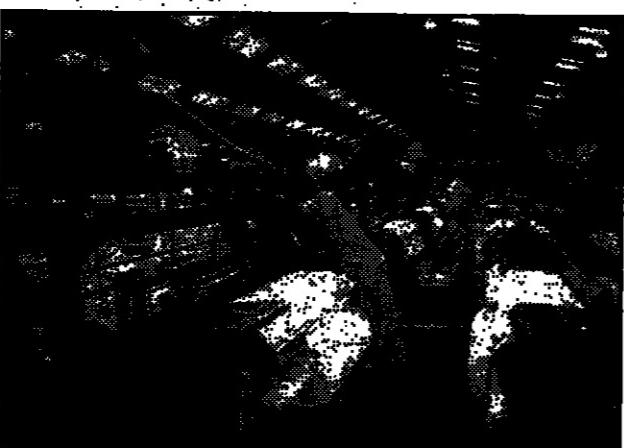
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Focus on New Garment and Textile Industry

SINCE the opening of the Jebel Ali Free Zone Authority, there has been a rush of applications for licenses from companies in the textile and garment industries. More than 26 companies have been given approval to start operations, and many are now actively exporting their products worldwide. Interest has been so great that the FZA has had to review the present state of the textile industry within the free zone.

One of the first companies to set up operations is the Jebel Ali Textile Mill, a subsidiary of a British group based in Manchester. It introduced the first weaving mill into the Gulf. Imam Ahmed Khan, of Jebel Ali Textile Mill, came here only one year ago, but he says he is already thinking of expanding his integrated operation. Besides producing woven textiles, the mill also manufactures garments such as shirts and blouses, for which it employs more than 100 workers, mainly Asian women.



These weaving looms were among the first used in the Gulf.

Mr. Khan says he was most impressed by the cooperation he received in his negotiations with the FZA and the almost total absence of bureaucratic red tape. The mill also needed buildings with adequate temperature control, essential for the weaving operation. This was a requirement the FZA was able to meet which was not available anywhere else in the region, says Mr. Khan.

The Jebel Ali Textile Mill is now in full operation making toweling and shirts. According to Mr. Khan, the company is now selling

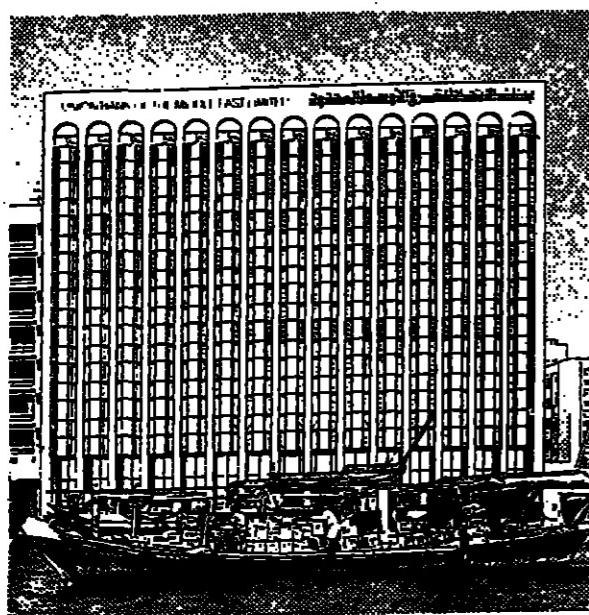
everything it can produce, and the market is generally very strong. He expects his first year's total exports to be worth more than \$5 million.

Another major textile factory start-up slated for next November is Fortune International Trading Company's weaving and garment-making operation. Fortune, which employs about 200 workers and has its own design center, was formed last year. It too has been attracted to Jebel Ali Free Zone by the incentives package.

The Free Zone's strategic location for distribution also played a key role in Fortune's decision to move into Jebel Ali. Comments Mr. S.V. Gulati, Fortune's chairman: "The dynamic management of the Port Authority has made possible a diversified industrial growth in a very short span of time."

Fortune, which is importing some of the latest Swiss-designed weaving machines and looms for making toweling has already gained substantial orders from markets in the United States and Europe.

THE OLD AND THE NEW A COMBINATION FOR SUCCESS



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Industry (Continued from page 8)

ding Company, which has been in operation for about 14 years supplying customers as far away as Oman. Six years ago, it began operating out of Jebel Ali, and its supplies are now piped direct from the Dugas plant.

At its terminal, Dugas has a storage capacity of 1,000 metric tons, which is equivalent to almost 45,000 50-pound cylinders. Emirates Gas also supplies customers such as hotels, hospitals and large residential complexes with bulk LPG.

It has also been studying and promoting a project to use LPG as a gasoline substitute.

Another company associated with energy development which has been closely involved with the development of Jebel Ali is Emirates Petroleum Products Company (EPPCO), a major national marketing company operating from the port.

Its depot is strategically located near the harbor entrance where it provides bunkering facilities. It also provides fuel for offshore drilling rigs and diesel fuel for its many land-based customers.

Another essential product used extensively throughout the UAE is bitumen, which EPPCO supplies in a variety of grades or special blends made to customers' specifications.

One of the most important industrial development companies in Jebel Ali is Dubai Electricity Company

MONDAY, JULY 20, 1987

EUROBONDS

As Dollar Battles Back, Short-Term Paper Shines

By CARL GEWIRTZ

International Herald Tribune

PARIS — Neither a continued widening of the U.S. trade deficit nor news that the Congressional Budget Office is projecting a rise in Washington's budget deficit over the coming two years were able to significantly dent the dollar's current upward trend last week.

The dollar did weaken after the trade report. But by the end of the week, that loss was completely erased and the currency was setting highs not seen since mid-March.

Foreign exchange dealers, however, were not impressed. They attributed the buoyancy to rising tension in the Gulf, which also has pushed up the price of oil, and the relatively light amount of transactions now that the summer holidays have begun.

None of the dealers voiced confidence that the trend could be sustained.

Nevertheless, the rise in the dollar as well as the price of oil was enough to demoralize Japanese investors, who fear that the gains spell an increase in inflation for them and therefore an end to the downturn in domestic interest rates.

With Tokyo stock prices falling and bond prices sagging, investors were showing renewed interest in buying dollar-denominated paper, in part because of the much higher yields available. Buying also was encouraged by expectations that U.S. interest rates, which early this year were pushed up to support the dollar, may now be set for a renewed decline. A decline in interest rates would send bond prices climbing.

The volume of straight dollar Eurobonds remained light, but the issues were well-received.

Of particular notice was Citicorp's three-year notes, which at the offering were priced to yield a hefty 106 basis points, or 1.06 of a percentage point, over the yield on comparably dated Treasury paper. Analysts agreed that the terms were generous.

This was the bank-holding company's first venture to the market since its announcement in May that it was adding \$3 billion to its loan-loss reserves, a move that is expected to result in a net loss for the year of \$1 billion. Thus, it was important to Citicorp to be seen returning to the market with an issue enthusiastically received by investors.

AND THAT it was. The amount was increased to \$250 million from the \$200 million initially indicated. Offered at a price of 101 1/4 bearing a coupon of 94 percent, the paper ended the week down 1.15 points, well within the 1.75 point fees paid to underwriters. By week's end, Citicorp's paper was yielding 99 basis points over the Treasury curve.

Just how generously priced Citicorp's paper was best measured by the terms offered by Chrysler and Household Finance, which also sold three-year paper. Chrysler offered \$125 million of 8 1/2 percent notes priced at 100.85.

Net of the 1 1/2 percent underwriting fees, the paper yielded 90 basis points over the yield on Treasury paper. It ended the week trading at 99.48, less the full fees.

Household Finance's \$100 million of 8 1/2 percent notes were offered at 101 1/4, for a spread of 79 basis points over Treasury paper; a level too small to attract wide demand.

Bankers explain the popularity of short-dated paper as reflecting investor uncertainty about the future drift of interest and exchange rates. Investors are seeking the shortest, most profitable place to park money, currently available for reinvestment.

The latest annual study by Orion Royal Bank showed that the flow of funds into the Eurobond market from payment of interest and principal on outstanding issues amounted to the equivalent of \$5.78 billion this month.

On an annual basis, the study estimates that 53 percent of payments during the next five years are in U.S. dollars and 10 percent in Deutsche marks.

Total Eurobonds this year are estimated at \$69.88 billion, of which \$47.94 billion is in U.S. dollars. By 1991, the study estimates total inflows of \$103.3 billion, "larger than the annual total of Eurobond new issues in all years to date except 1985 and 1986."

The bulk of this year's inflow is in interest payments, with only 37 percent repayment of principal. While there is no certainty how much of these flows are reinvested in Eurobonds, the bank said that "principal repayments are more likely to be reinvested in new issues than interest."

Although investor demand for long-term paper is weak, bankers last week expressed pleasure at the World Bank's offering of \$300 million of 10-year bonds. Bearing a coupon of 9 percent and priced at 101 1/2 with underwriting fees of 2 percent, the issue cost the World Bank 50 points more than what the Treasury pays for its money.

The terms were neither generous nor tight, but bankers were

See EUROBONDS, Page 13

Currency Rates

Cross Rates									
	S.	D.	D.M.	F.F.	G.L.	G.M.	H.K.	I.P.	V.
Amsterdam	2.079	3.372	112.55	24.859	1.2028	1.2028	24.855	22.145	1.0000
Buenos Aires	3.820	—	20.025	4.825	1.2028	1.2028	24.855	22.145	1.0000
Frankfurt	2.974	—	20.825	5.105	1.2028	1.2028	24.855	22.145	1.0000
Lima	1.093	—	2.965	1.2028	1.2028	1.2028	24.855	22.145	1.0000
Milan	1.37250	1.70720	72.279	27.228	1.2028	1.2028	24.855	22.145	1.0000
New York (c)	—	0.0204	1.863	0.5	1.2028	1.2028	24.855	22.145	1.0000
Paris	1.419	1.971	24.025	5.105	1.2028	1.2028	24.855	22.145	1.0000
Tokyo	1.028	1.382	24.45	5.105	1.2028	1.2028	24.855	22.145	1.0000
Zurich	1.405	1.997	83.225	25.05	1.2028	1.2028	24.855	22.145	1.0000
1 ECU	1.219	1.692	2.076	4.789	1.2028	1.2028	24.855	22.145	1.0000
1 DM	0.7016	2.241	7.797	1.892	2.68	4.556	1.975	17.951	1.0000

Cash rate in London and Zurich. S = Swiss franc. D = Dutch florin. D.M. = German mark. F.F. = French franc. G.L. = Belgian franc. I.P. = Italian lira. V. = Venezuelan bolivar. (c) Units of 100 (d) Units of 1,000 (r) Units of 10,000 (f) Not available. (M.A.T.) not available. M.A.T. = mean. To buy one pound: \$0.525/1.000

Other Major Currencies									
	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$	Currency per U.S. \$
Austin, Mexico	1.902	1.902	1.902	1.902	1.902	1.902	1.902	1.902	1.902
Austria, S.	1.4184	1.4184	1.4184	1.4184	1.4184	1.4184	1.4184	1.4184	1.4184
Austria, schill.	7.239	7.239	7.239	7.239	7.239	7.239	7.239	7.239	7.239
Baku, Iran	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
Belgian franc	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68
Canadian \$	1.219	1.219	1.219	1.219	1.219	1.219	1.219	1.219	1.219
Calcutta rupee	3.2201	3.2201	3.2201	3.2201	3.2201	3.2201	3.2201	3.2201	3.2201
Caribbean dollar	0.9341	0.9341	0.9341	0.9341	0.9341	0.9341	0.9341	0.9341	0.9341
Danish krone	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05
Egypt, pound	2.187	2.187	2.187	2.187	2.187	2.187	2.187	2.187	2.187
Malaysian ringgit	1.715	1.715	1.715	1.715	1.715	1.715	1.715	1.715	1.715

Sources: London Stock Exchange; Banco Comercial Italiano (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAAI (London); BAAI (Tokyo); Guilder (Dusseldorf); Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes									
	July 17	July 10	Chg.	% Chg.	United States	Discount rate	5%	5%	July 17
U.S. Indus.	2,510.04	2,485.99	+24.05	+0.96%	10,204.97	10,204.97	10,204.97	10,204.97	10,204.97
DJ Util.	204.97	204.97	-0.01	-0.00%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
DJ Trans.	1,047.03	1,033.58	+13.45	+1.31%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
S & P 500	309.72	308.08	+1.64	+0.53%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
S & P 800	314.59	313.85	+0.74	+0.23%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
S & P Ind.	308.33	308.02	+0.31	+0.1%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
NYSE Com.	176.67	175.57	+1.10	+0.7%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
FTSE 100	2,428.70	2,383.00	+1.62	+0.6%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
FTSE 30	1,916.90	1,888.00	+25.7	+1.3%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Nikkei 225	23,901.45	24,102.97	-0.50	-0.2%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
West Germany	2,690.50	2,693.40	+3.94	+0.14%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Commerzbank	3,342.13	3,307.21	+4.21	+0.1%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Hong Kong	464.40	458.40	+1.75	+0.37%	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
World	464.40	458.40	+1.75	+0.37%	1,000.00</				

NASDAQ National Market

OTC Consolidated trading for week ended Friday, July 17

	Sales in 100s	High	Low	Close	Chg.	Net	Sales in 100s	High	Low	Close	Chg.	Net	Sales in 100s	High	Low	Close	Chg.	Net	Sales in 100s	High	Low	Close	Chg.	Net			
A&W Bd	88	59.1	55.0	57.1	+ 1.1	-	Aalto	105	187.4	39.4	39.4	+ 0.0	-	ArabSh	203	716	52	52	+ 0.0	-	Barber's	203	106.8	50	50	+ 0.0	-
ABS	80	43	32.5	31.5	- 18.1	-	Arch	110	100.0	52	52	+ 0.0	-	Archive	403	195	52	52	+ 0.0	-	Barnes	210	52	52	52	+ 0.0	-
ABC Co	24	24.0	22.0	23.0	+ 2.0	-	Arden	110	100.0	52	52	+ 0.0	-	ArdenCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ADC	24	24.0	22.0	23.0	+ 2.0	-	Arer	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AEC	24	37.4	31.0	32.0	+ 2.6	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AEL	24	37.4	31.0	32.0	+ 2.6	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AEP	24	59.7	50.0	50.0	+ 9.7	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AIR Teli	54	54.0	49.0	50.0	+ 5.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ALL CTI	24	21.0	19.0	20.0	+ 1.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AME	24	107.0	102.0	12.0	+ 17.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATI	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
AST	24	300.2	24.0	24.0	+ 14.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATT	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	Bartn	210	52	52	52	+ 0.0	-
ATA	24	20.0	18.0	18.0	+ 2.0	-	ArerCo	110	100.0	52	52	+ 0.0	-	ArerCo	110												

New International Bond Issues

Compiled by Aimee Potter Hardow

Issuer	Amount (millions)	Mot.	Coup. %	Price and week	Price and week	Terms
FLOATING RATE NOTES						
CARPS 2	\$ 80	1992	0.15	100.10	—	Over 6-month Libor. Noncallable. Fees 0.15%. Denominations \$100,000.
JEWEL	\$100	1992	3/16	100.10	—	Over 6-month Libor. Noncallable. Fees 0.12%. Denominations \$100,000.
SABRE IV	\$100	1992	3/16	100.05	—	Over 6-month Libor. Noncallable. Fees 0.12%. Denominations \$100,000.
TMC Securities 2	£100	2014	%	100	99.65	Over 3-month Libor for first 10 years, rising to 0.50% over Libor thereafter. Callable. UK residential mortgage obligations. Expected average life 5 to 7 years. Callable at par in 1992, if outstanding principal is less than 10% of original amount. Fees 0.50%.
IBJ Australia Bank	Aus\$250	1992	0.60	100	—	Below the 3-month Bank Bill rate. Redemptions of par in 1988 and on every call date thereafter. Fees 0.10%. Denominations \$Aus100,000.
FIXED-COUPON						
British Telecom Finance	\$150	1994	8%	101%	99.88	Noncallable. Fees 1.0%.
Chrysler Financial	\$125	1990	8%	100.85	99.48	Noncallable. Fees 1.0%.
Citicorp	\$250	1990	8%	101%	99.93	Noncallable. Fees 1.0%.
Household Finance	\$100	1990	8%	101%	100.00	Noncallable. Fees 1.0%.
World Bank	\$300	1997	9	101%	99.75	Noncallable. Fees 2%.
New South Wales Treasury	ECU100	1990	7%	101%	99.25	Noncallable. Fees 1.0%.
European Coal & Steel Community	CS 83	1995	10	100%	98.25	Noncallable. Fees 2%.
Westdeutsche Landesbank Finance	CS 75	1991	9%	101%	99.75	Noncallable. Fees 1.0%.
Bayern Hypo Finance	Aus\$75	1990	13%	101%	100.13	Noncallable. Fees 1.0%.
British Petroleum Capital	Aus\$75	1992	13%	103	—	Noncallable. Fees 2%.
Chrysler Financial	Aus\$75	1990	14%	101%	99.50	Noncallable. Fees 1.0%.
Commerzbank Overseas Finance	Aus\$50	1990	13%	101%	100.50	Noncallable. Fees 1.0%.
IT Financial	Aus\$75	1990	14	101%	100.75	Noncallable. Fees 1.0%.
Kreditbank Luxembourg	Aus\$50	1990	14%	101%	100.00	Noncallable. Fees 1.0%.
McDonalds	Aus\$100	1990	13%	101%	99.25	Noncallable. Fees 1.0%.
State Electricity Commission of Victoria	Aus\$60	1992	13%	101%	99.75	Noncallable. Fees 2%.
Westdeutsche Landesbank Finance	Aus\$50	1992	13%	101%	100.25	Noncallable. Fees 2%.
EQUITY-LINKED						
Fujita Industries	\$ 75	2002	6%	100	98.88	Convertible at \$41.025 per share, a 21.53% premium. Fees 2.5%.
Kirin Brewery	\$500	1992	2%	100	98.63	Noncallable. Each \$10,000 note with one warrant exercisable into company's shares of 2,543 yen per share and at 150.25 yen per dollar. Fees 2.5%.
Kao Fire & Marine Insurance	\$ 70	2002	open	100	98.00	Coupon indicated at 1.0%. Convertible at an expected 5% premium. Fees 2.5%. Terms to be set July 23.
Kobori Jukai	\$ 70	1992	open	100	96.00	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%. Terms to be set July 20.
Kyushu Matsushita Electric	\$150	1992	open	100	98.50	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%. Terms to be set July 22.
Long-Term Credit Bank of Japan	\$200	2002	open	100	99.00	Seniorsecured coupon indicated at 1.0%. Convertible at an expected 5% premium. Fees 2.5%. Terms to be set July 22.
Mitsubishi Rayon	\$100	1992	2%	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 331 yen per share and at 152.35 yen per dollar. Fees 2.5%.
Mitsubishi Trust & Banking	\$100	2002	open	100	100.50	Coupon indicated at 1.0%. Convertible at an expected 5% premium. Fees 2.5%. Terms to be set July 20.
Nizuno	\$ 50	1992	open	100	95.00	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%.
Morgan Crucible	\$ 25	1992	3%	100	—	Each \$10,000 bond with 10 warrants, each exercisable into 95 company's shares of a price to be set. Warrants redeemable at maturity of \$136.25 per warrant. Fees 2.5%.
Odakyu Electric Railway	\$150	1992	2%	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 95 yen per share and at 152.35 yen per dollar. Fees 2.5%.
Sumitomo Chemical	\$200	1992	open	100	94.25	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%. Terms to be set July 22.
Sumitomo Trust & Banking	\$100	2002	1%	100	99.00	Seniorsecured. Callable at 10% in 1990. Convertible at 4.16% per share and at 150.25 yen per dollar. Fees 2.5%.
Toyo Suisan Kaisha	\$ 50	1992	open	100	97.00	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,729 yen per share and at 150.25 yen per dollar. Fees 2.5%.
Toyobo	\$ 70	1992	2%	100	95.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%. Terms to be set July 23.
Yasuda Fire & Marine Insurance	\$150	1992	2%	100	98.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,729 yen per share and at 150.25 yen per dollar. Fees 2.5%. \$100 million issued in Europe and \$50 million in Asia.
Yokogawa Electric	\$100	1992	open	100	95.00	Coupon indicated at 2.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2.5% premium. Fees 2.5%. Terms to be set July 21.

EUROBONDS: A Renewed Interest in Dollar Paper

(Continued from first finance page)

delighted to have a liquid supranational issue that can serve as a benchmark in the 10-year range.

The medium-term, seven-year paper offered by British Telecom, priced to yield 52 basis points over the Treasury curve, was deemed too stingy and too long in a market that looks for an incentive to go out beyond five years. Its \$150 million of 8% percent bonds, offered at 101%, ended the week trading outside its fees of 1% percent.

Retail demand remained focused on the high-coupon Australian dollar sector. Volume was heavy with nine new issues totaling 610 million Australian dollars. With the election now out of the way and interest rates expected to decline, bankers' say demand is good but remains focused on names familiar to investors in West Germany and the Benelux countries.

Japanese companies continued to flood the equity-linked sector with bonds bearing warrants to buy stock while investors remain shy, given the continued decline of prices on the Tokyo stock exchange.

The exceptions were the convertible bonds offered by Long-Term Credit Bank, Mitsubishi Trust & Banking and Sumitomo Trust & Banking. Convertible bonds are bonds whose face value can be used to purchase the stock. In warrant issues, the bonds remain outstanding until redemption and to exercise the warrant investors have to put up additional cash.

Convertibles are deemed to have better redemption value than warrant bonds. In addition, the warrant market is flooded with paper whereas there have been relatively few convertible bonds. This was reflected in the market last week, where these three convertibles trad-

ed within a point of their issue price.

The \$70 million convertible for Kao Fire & Marine, the first convertible from an insurance company, fared less well at less 2 points.

The warrant bonds, however,

were on average down five points.

The leading underwriters, Nomura, Yamaichi and Daiwa, said they are doing their utmost to restrain companies from proceeding with plans to tap the market.

An interesting twist on the stan-

dard warrant bond was offered last week by Montedison, the Italian chemical company. It is tapping the Swiss franc market with an issue of 75 million francs for five years.

Each bond carries seven warrants, each of which can purchase 20 U.S. barrels of light crude oil at \$23.55 a barrel, about 5 percent over the current market price.

The Montedison bonds, carrying a coupon of 4.5% percent, are priced at 122, making a de facto premium of the warrant just over 8 percent.

The new unit is to be financed by the establishment of a common fund, with an initial investment of \$100 million by each country. At a news conference with President José Sarney of Brazil, President Raúl Alfonsín of Argentina said that trade between the countries had increased from \$900 million in 1985 to \$1.4 billion in 1986, partly as a result of the initiation of the cooperation plan last year.

Under the agreement, bilateral trade is to reach \$2 billion by 1990.

Officials traveling with the two

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Officials traveling with the two

Huge Spanish State Company Bucks the Trend

Reuters

MADRID — While some West European countries are rapidly selling off state corporations, Spain's unprofitable state holding company INI appears reluctant to dismember a sprawling business empire.

INI completed the sale of its car company Sociedad Española de Automóviles de Turismo, or SEAT, to West Germany's Volkswagen AG last year, but analysts say that INI lacks a clear privatization strategy to take it into the 1990s.

Since its establishment in 1941, INI, or Instituto Nacional de Industria, has grown into by far the country's biggest industrial conglomerate, with interests ranging from electronics to metal packaging.

The trouble is that INI's original aims are obsolete and the group has so far proved unable to map out clear new objectives for itself," said a former INI executive who now runs his own business.

One of INI's main problems is that most of the basic industries that originally formed its core are in a crisis worldwide.

INI's difficulties were compounded in the

late 1970s when the government of the day forced it to bail out a string of private industrial companies that were forced into bankruptcy.

INI is the only large company that INI has sold off, although it has said it may sell a minority stake to private investors in its electrical utility company, Empresa Nacional de Electricidad SA, and paper pulp company Empresa Nacional de Celulosa SA.

"I do not think INI is going anywhere," the general manager of the Madrid branch of a leading U.S. bank said. "They are selling bits and pieces but they are not really privatizing."

Claudio Aranzadi, who was appointed chairman of INI last year, said: "We have to cut our losses but the fact is we can be an industrial force. But first of all we must establish our credibility as managers."

Analysts say that with losses of 117 billion pesetas (currently \$927.8 million) in 1986, and accumulated debts of around 1.8 trillion pesetas (outstripping revenues of 1.5 trillion), INI's management faces an uphill struggle.

Mr. Aranzadi said he saw the makings of a viable state-run business based on INI's interests in aerospace, defense, electronics, engineering and power generation.

"We will disinvest in those businesses which are not of interest to us if we get the right offer," he said.

But critics say INI has no ideological commitment to privatizing and its motive for selling off companies has been its need for funds.

A former member of INI's planning department said there were political and social constraints preventing INI's management from taking decisions to prune losses in traditional businesses such as coal and steel.

"There are two ideological strands in the governing Socialist Party," he said. "One of them is interventionist, and the other is free market-oriented. This ambiguity is reflected in INI's management."

Some of INI's top managers also believe there is a lasting role for state industry in Spain because of the private sector's failure to develop internationally competitive industries.

Many of INI's weakest businesses are in economically backward regions of the country where alternative employment is scarce.

Plans to cut back the 21,000 labor force at Hunosa, a coal-mining company in Oviedo, in Northern Spain's Asturias region, have run into bitter opposition.

Similar plans to restructure an INI-owned shipyard, Astilleros Españoles SA, at Puerto Real in southern Spain and a steel mill in the northern town of Reinosa have provoked violent demonstrations by workers.

Analysts said that the new law would give state-run companies greater independence in the areas of accounting and finance, and that executives would be elected by staff members instead of being appointed by the government.

"Low wages will be characteristic of enterprises that fail in their duties," said Jaromir Matejka, the government official who oversees management planning. He said that employees of such companies "will be discontented and will pressure the firm's board to obtain better management."

Companies that perform poorly could be shut down or taken over by other firms, officials said.

The state's role would essentially be to regulate the economic system by controlling credit, wages and prices, officials said.

Czechs Grant State Firms More Leeway

Agence France-Presse

PRAGUE — The Czechoslovakian authorities have published a measure designed to give state companies more independence in managing their affairs.

The move, patterned after Moscow's recent steps toward liberalization, is seen as part of a restructuring of the Czechoslovakian economy approved earlier this year.

Czechoslovak newspapers, which published the bill Saturday, said it would be open to public discussion until the end of October.

The bill is to become law by January 1, 1989, and companies will have two years to comply with its provisions, the papers said.

Analysts said that the new law would give state-run companies greater independence in the areas of accounting and finance, and that executives would be elected by staff members instead of being appointed by the government.

NASDAQ National Market

OTC Consolidated trading for week ended Friday,

1. *Black Bear*
2. *Elk*
3. *Moose*

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SEPTEMBER

QUARTERLY TECHNOLOGY
WORLD BANKING
NORDIC FINANCE
BANKING & FINANCE IN ASIA
BANKING & FINANCE IN LUXEMBOURG

OCTOBER

CENTENNIAL
TRAVEL IN ASIA
HONG KONG
FRENCH FASHION
BANKING & FINANCE IN FRANCE
TELECOMMUNICATIONS

PORTUGAL

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NETHERLANDS
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Dollar's Recovery Boosts U.S. Treasury Bonds

By Phillip H. Wiggins
New York Times Service

NEW YORK — Prices of U.S. government securities rose moderately last week in light trading that was buoyed by the surge of the dollar against the yen.

The dollar is continuing to recover from the steep loss precipitated Wednesday by the report of a larger-than-expected U.S. trade deficit for May. On Friday, the dollar rose against all major currencies except the Canadian dollar.

"The story in the bond market continues to be the growth in the economy and the recent stability in

the dollar," said E. Wayne Nordberg, chairman of the investment policy committee at Cleveland-based Prescott, Ball & Turben.

"This combination will permit renewed easing by the Federal Reserve Board no later than September," he added, "and it is this potential that the bond market is currently discounting."

Mr. Nordberg said that interest rates, including the benchmark prime rate, should decline another 50 basis points, or one-half of a percentage point, by the end of the year.

The Treasury's bellwether 3%

percent bonds, due in 2017, were offered at 101 3/32, up by 13/32, late Friday. At that price, the 30-year issue yields about 8.55 percent. Bill rates were narrowly mixed.

The bond market showed little reaction to Thursday's report of sluggish money supply figures.

"By every appearance, we are in a money famine, which, of course, would be enormously bearish for business activity," said James Grant, editor of Grant's Interest Rate Observer.

On Wednesday, the Treasury is expected to auction \$9.75 billion of

U.S. Consumer Rates		July 17
One Month Bonds	Bond Buyer 30-Day Index	7.44%
Money Market Funds		8.34%
Discounter's 7-Day Average		
Bank Money Market Accounts	Bank Rate Monitor Index	5.61%
Bank Note Monitor Index		
Home Mortgages, PHLB average		10.32%
Source: New York Times		

two-year notes. The outstanding two-year issue was trading at a price to yield about 7.30 percent.

Mexico to Boost Oil Exports by Slight Margin

The Associated Press

MEXICO CITY — Mexico, the world's fourth-largest oil producer, plans a slight increase in its exports of crude oil to 1.36 million barrels a day, the government news agency Notimex reported.

The increase will be retroactive to July 1, the news agency said Saturday. Mexico recently has maintained an export target of 1.329 million barrels a day.

The plan to increase exports was announced after a meeting between Mexico's energy minister, Alfredo del Mazo, and Venezuela's energy minister, Arturo Hernández Grisanti.

The Notimex statement said that the increased level represented a seasonal adjustment.

U.S. Treasury Bonds

July 17

Close Yield Yield

Maturity	Price	Yield	Price	Yield
3/2/88	100 2/32	7.42%	2/2/88	7.41%
3/1/89	100 1/32	7.57%	2/1/89	7.57%
3/1/90	100 1/32	7.78%	2/1/90	7.79%
3/1/91	101 1/32	7.93%	2/1/91	7.90%
3/1/92	101 1/32	8.07%	2/1/92	8.07%
3/1/93	100 1/32	8.24%	2/1/93	8.21%
3/1/94	100 1/32	8.40%	2/1/94	8.45%
3/1/95	100 1/32	8.57%	2/1/95	8.65%
3/1/96	102 2/32	8.56%	2/1/96	8.44%

Source: Salomon Inc.

Kuwait Reports Progress In Rescheduling Bad Loans

Reuters

KUWAIT — Kuwait's central bank governor says that the country has made clear progress toward settling the banking sector's non-performing loans, which account for more than 25 percent of commercial bank assets, a newspaper reported Sunday.

Sheikh Salem al-Sabah told the newspaper al-Seyassah that 1,911 of 2,185 debtors classified as having "difficult debts" were participating in a central bank rescheduling plan launched in August 1986.

Their debts as July 9 totaled 2,442 billion dinars (\$4.6 billion), or 97 percent of the total debt covered by the plan.

"The settlement program has made clear steps towards execution," Sheikh Salem said.

The plan unveiled in August was designed to reschedule crippling local debt to ensure "the rights of debtors and their families to a decent and dignified living" while protecting the rights of shareholders and depositors.

The program entitles debtors without permanent cash flow to a 10-year, no-interest loan equal in value to their assets, which are being mortgaged with the creditor banks.

Their other debts are to be re-

Taiwan to Buy \$4.35 Billion of Goods in U.S.

Agence France-Presse

TAIPEI — Taiwanese trade officials have begun a mission to the United States to buy \$4.35 billion of goods, including 10 commercial aircraft and sophisticated computers, a government spokesman said.

He noted that the Kuwait's oil gross domestic product increased 6.4 percent last year after three consecutive years of decline.

"This probably indicates that the local economy is passing through a turning point after absorbing shocks of the Souk al-Manakh, the decline in oil prices and prevailing conditions in the region," he said.

Previous teams have bought \$8.7 billion in U.S. goods. But despite the purchases and market-opening measures, Taiwan has been posting record trade surpluses. In the first four months of this year, Taiwan's merchandise trade surplus reached \$5.77 billion, against \$4.25 billion a year earlier, most of it with the United States.

Sales in Net

	100s	High	Low	Close	Chg.
Witco	17,697	4%	2%	3%	+ 1%
Witco J	1,297	1%	1%	1%	- 1%
Witco K	2,51	2%	2%	2%	- 1%
Witco L	1,795	2%	1%	1%	+ 1%
Witco M	2,291	1%	1%	1%	- 1%
Witco N	4,352	1%	1%	1%	- 1%
Witco P	2,254	1%	1%	1%	- 1%

Sales in Net

	100s	High	Low	Close	Chg.
Witco F	2,25	2%	2%	2%	- 1%
Witco G	2,25	2%	2%	2%	- 1%
Witco H	2,25	2%	2%	2%	- 1%
Witco I	2,25	2%	2%	2%	- 1%
Witco J	2,25	2%	2%	2%	- 1%
Witco K	2,25	2%	2%	2%	- 1%
Witco L	2,25	2%	2%	2%	- 1%
Witco M	2,25	2%	2%	2%	- 1%
Witco N	2,25	2%	2%	2%	- 1%
Witco P	2,25	2%	2%	2%	- 1%
Witco Q	2,25	2%	2%	2%	- 1%
Witco R	2,25	2%	2%	2%	- 1%
Witco S	2,25	2%	2%	2%	- 1%
Witco T	2,25	2%	2%	2%	- 1%
Witco U	2,25	2%	2%	2%	- 1%
Witco V	2,25	2%	2%	2%	- 1%
Witco W	2,25	2%	2%	2%	- 1%
Witco X	2,25	2%	2%	2%	- 1%
Witco Y	2,25	2%	2%	2%	- 1%
Witco Z	2,25	2%	2%	2%	- 1%

Sales in Net

	100s	High	Low	Close	Chg.
Witco F	2,25	2%	2%	2%	- 1%
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Witco H	2,25	2%	2%	2%	- 1%
Witco I	2,25	2%	2%	2%	- 1%
Witco J	2,25	2%	2%	2%	- 1%
Witco K	2,25	2%	2%	2%	- 1%
Witco L	2,25	2%	2%	2%	- 1%
Witco M	2,25	2%	2%	2%	- 1%
Witco N	2,25	2%	2%	2%	- 1%
Witco P	2,25	2%	2%	2%	- 1%
Witco Q	2,25	2%	2%	2%	- 1%
Witco R	2,25	2%	2%	2%	- 1%
Witco S	2,25	2%	2%	2%	- 1%
Witco T	2,25	2%	2%	2%	- 1%
Witco U	2,25	2%	2%	2%	- 1%
Witco V	2,25	2%	2%	2%	- 1%
Witco W	2,25	2%	2%	2%	- 1%
Witco X	2,25	2%	2%	2%	- 1%
Witco Y	2,25	2%	2%	2%	- 1%
Witco Z	2,25	2%	2%	2%	- 1%

Sales in Net

	100s	High	Low	Close	Chg.
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Witco H	2,25	2%	2%	2%	- 1%
Witco I	2,25	2%	2%	2%	- 1%
Witco J	2,25	2%	2%	2%	- 1%
Witco K	2,25	2%	2%	2%	- 1%
Witco L	2,25	2%	2%	2%	- 1%
Witco M	2,25	2%	2%	2%	- 1%
Witco N	2,25	2%	2%	2%	- 1%
Witco P	2,25	2%	2%	2%	- 1%
Witco Q	2,25	2%	2%	2%	- 1%
Witco R	2,25	2%	2%	2%	- 1%
Witco S	2,25	2%	2%	2%	- 1%
Witco T	2,25	2%	2%	2%	- 1%
Witco U	2,25	2%	2%	2%	- 1%
Witco V</					

POSTCARD

The Endangered Conch

By Mark Kurlansky

MAMI — When the conch food markets of the Eastern Seaboard cities started selling conch, the people of the Caribbean should have known they were about to lose their favorite staple food and grave marker.

How can the queen conch escape its fate? It travels at about one mile a week by throwing its five-pound shell over its foot. Its two excellent eyes only help to see the swift onslaught of enemies. Its thick protective shell is easily sliced in the mouth of a sting ray or shattered in a single crunch from the jaws of a sea turtle or chipped away while held in the feet of a spiny lobster who munches it like an ear of corn. The octopus simply sucks it out. And the people of the Caribbean know even more ways of eating it.

In the Florida Keys a spicy-toasted chowder is made from slowly cooking conch. In the Bahamas they chop them up and mix them with flour and herbs, then bread them and fry them into conch fritters. Better still, they eat them raw, marinated in lime juice and very hot peppers. It is called scroched conch, the scorching being the deep knife slices to help the marinating process.

In Martinique they chop the conch which they call by the Creole name *lambi*, and poach it with hot peppers and fresh herbs, then add them and fry them into conch fritters. Better still, they eat them raw, marinated in lime juice and very hot peppers. It is called scroched conch, the scorching being the deep knife slices to help the marinating process.

ON the Florida Keys, where conch is so traditional a food that a native is called a conch, the fishing of them was recently banned by the State of Florida. In the Bahamas, where the natives are also called conchs, the export of conch meat has been banned. In Bermuda in the northern extremity of its range and Bonaire, a Dutch Island off the coast of Venezuela, conch exports have also been stopped.

In most of the islands, conch is still common enough that it would be difficult to sell the large amber shells with polished pink interiors. The shells pile high along the coastlines where the fisherman work. Sometimes they are set into stucco to decorate houses and grave markers. Sometimes they have pink pearls that are used for jewelry. Small fishing boats in the Caribbean usually have a conch shell with the tip sawed off, which makes an excellent horn. It is also used to signal working hours in the sugar-cane fields. In Haiti a woman blowing on a conch shell to sound the start of rebellion is the national symbol of liberation, although the statue of it near the National Palace is continually being threatened with sabotage because of the sculpture's association with Duvalierism. But the hated statue may outlast the conch.

Almost everywhere it is sliced, marinated and served with onions in conch salad. Puerto Ricans buy conch salad by the roadside sold in plastic cups. Puerto Ricans also roll it in dough and fry it — a taco de carriño. Carríño is a pejorative for a snail, which doesn't seem fair for an animal which in English is called a queen conch.

Conch has a rich, delicate flavor like lobster, but the texture is as tough as you would expect of a foot that throws a five-pound shell. Everyone has his own solution. On St. Thomas and St. Croix they swear by two hours in a pressure cooker; in the Bahamas they chop it up or cut deep slashes. On many islands it is marinated in lime for hours. And it is frequently beaten mercilessly with a mallet, which has led

Mark Kurlansky is a Miami-based journalist who travels frequently in the Caribbean.